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# FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY DECEMBER 20, 1994

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## N Korea rejects US request for talks on pilot

North Korea yesterday refused a US request for an early meeting to discuss the return of a US pilot and the body of his co-pilot, who was killed when their army helicopter came down in North Korea on Saturday. The rejection appeared to dash hopes that Pyongyang would try to resolve the incident swiftly, but US president Bill Clinton said he was giving the issue "high priority". Page 16

**Caesars World**, owner of Caesars Palace in Las Vegas and one of the biggest names in gaming, has been bought for \$1.7bn by IGT, the US conglomerate that has been expanding into the leisure industry. Page 17

**Soap war hits Unilever**: Anglo-Dutch group Unilever is shifting the time of its boardroom succession amid evidence that its Persil and Omo Power detergents have failed to achieve their targets. Page 16

**Talks continue despite bomb**: Irish republicans resumed political talks with British officials in spite of the discovery of a bomb in Enniskillen, Northern Ireland. The Irish Republican Army denied planting the device, which was defused by the British army. Page 8

**Bulgarian socialists win decisive majority**:

Bulgaria's Socialist party, the successors to the Communists, won a decisive victory and a clear majority in parliament after Sunday's parliamentary elections, according to preliminary results based on 95 per cent of votes cast. BSP leader Zhan Videnov (left), who is expected to become prime minister, said he would try to form a broad coalition, but other parties have so far ruled out any alliance with the former communists. Page 2

**Japan plans spending cuts**: Japan's finance ministry proposed a national budget that would cut spending for the first time for 40 years. Finance minister Masayoshi Takemura unveiled a fiscal 1995 draft budget totalling ¥70.99 trillion (\$710bn), down from the ¥73.08 trillion for the current year. BoJ chief targets had loans. Page 3

**London court backs BCCI deal**: London's High Court approved a \$1.8bn compensation deal agreed between Abu Dhabi and liquidators and creditors of the collapsed Bank of Credit and Commerce International. Two further approvals are needed before the package can be distributed.

**Albania rations electricity**: A drought in the river system which supplies most of Albania's hydro power has forced the government to ration electricity. Local commissions are to decide how to administer the 50 per cent power ration.

**Iran backs former bank chief**: Iranian authorities have arrested Mehdi Karubi, a former deputy governor of the central bank. He is accused of having had "certain foreign connections" during his time at the bank.

**Handling of young killers questioned**: The European Human Rights Commission said Britain's indefinite jailing of young murderers breached their right to a court review of their detention. The ruling could affect the futures of Robert Thompson and Jon Venables, who are being held for at least 15 years for killing James Bulger in 1993.

**Plan for fifth Heathrow terminal**: BAA, Britain's airport operator, detailed its case for building a fifth terminal at London's main international airport. It said failure to develop Heathrow would drive business overseas. Page 6

**Algeria suspends newspaper**: Algeria suspended a fifth newspaper in six weeks, accusing it of manipulation over a report of promised presidential polls. Algeria says more than 10,000 people have been killed in violence which erupted after the cancellation in January 1992 of a general election which fundamentalists were poised to win.

**Ten held in anti-ETA swoop**: Spanish civil guards arrested 10 people and seized weapons and explosives in an operation against Basque ETA terrorists in the northern region of Navarre.

**Poachers sentenced to death**: A Chinese court sentenced two policemen and three civilians to death for killing 16 elephants for their tusks in south-western Yunnan province.

**Swimmer seeks**: Frenchman Guy Delage, attempting the first solo swim across the Atlantic, has been slowed down by seasickness.

STOCK MARKET INDICES		STERLING	
FT-SE 100	3,034.4 (+20.5)	New York lunchtime	\$ 1.3690
Yield	4.24	London	\$ 1.5613 (1.559)
FT-SE Eurotrack 100	1,332.17 (+0.32)	DM	2.4571 (2.457)
FT-SE-A All-Share	1,585.06 (+0.79)	FF	5.4733 (5.4637)
Nikkei	19,279.85 (+107.42)	SF	2.0814 (2.0782)
New York lunchtime	1,527.85 (+1.21)	Y	156.367 (156.336)
Dow Jones Ind Ave	3,765.99 (+1.81)	E Index	80.4
S&P Composite	456.99 (+1.81)		
US LUNCHTIME RATES		DOLLAR	
Federal Funds	5 1/4%	New York lunchtime	\$ 1.331
3-mo Treas Bill: Yld	5.704%	DM	1.5726
Long Bond	9 1/2%	FF	5.4225
Yield	7.865%	SF	1.331
LONDON MONEY		Y	100.1
3-mo interbank	5 1/4% (Same)	DM	1.5738 (1.5714)
Life long 911 hour	Mar 102 1/2 (Mar 102 1/2)	FF	5.4272 (5.415)
NORTH SEA OIL (Average)		SF	1.3332 (1.3283)
Brut 15-day (Feb)	\$15.985 (15.805)	Y	100.125 (100.13)
GOLD		\$ Index	63.5 (63.4)
New York Comex (Feb)	\$381.7 (381.1)	Tokyo close Y	100.26
London	\$379.3 (380.6)		

Australia	205.92	Greece	145.50	Malta	140.00	Costa	141.00
Belgium	141.50	Hong Kong	141.50	Mexico	141.50	S. Arabia	141.50
Denmark	141.50	India	141.50	Norway	141.50	Spain	141.50
France	141.50	Japan	141.50	Sweden	141.50	Switzerland	141.50
Germany	141.50	South Africa	141.50	Taiwan	141.50	Thailand	141.50
Greece	141.50	UK	141.50	Turkey	141.50	USA	141.50
Ireland	141.50	USA	141.50	Yemen	141.50		
Italy	141.50						
Japan	141.50						
Netherlands	141.50						
Portugal	141.50						
Spain	141.50						
Sweden	141.50						
Switzerland	141.50						
Taiwan	141.50						
Thailand	141.50						
Turkey	141.50						
USA	141.50						
Yemen	141.50						

## Major stands firm over Conservative Euro-rebels

By Philip Stephens, Political Editor, in London

Mr John Major, the UK prime minister, said yesterday that he would make peace with the rebels in the ruling Conservative party over Europe only on his own terms, as he issued a strong appeal for party unity.

Rejecting calls from the right wing of his party for a speedy reconciliation, the prime minister said it would be months before he would consider lifting the suspension from the parliamentary

party of nine Eurosceptic MPs. In an interview with the Financial Times, Mr Major said it would be "unwise" to rule out a referendum either after the European Union's 1996 intergovernmental conference or on the issue of a single currency.

But he did not envisage the 1996 conference leading to a further institutional upheaval in the Union, adding: "I do not expect to come back with anything that would justify a referendum."

Mr Major suggested there would be a stronger case for a

referendum on a single European currency but said there was no possibility of economic and monetary union in 1997 and only a small chance of it in 1999.

In a wide-ranging review of the political and economic outlook, Mr Major played down speculation that the government might legislate to prevent large increases in boardroom salaries. Some of the recent increases in directors' pay had been "insensitive" but there were serious obstacles to legislation.

The prime minister also dis-

missed the calls from some Tory MPs and ministers for early and large tax cuts to improve the government's standing in the opinion polls.

He said he was "100 per cent" behind Mr Kenneth Clarke, the chancellor of the exchequer, in his insistence that taxes would be reduced only when the economy could afford it.

Speaking in Downing Street, his official residence, at the end of a year that has seen his premiership repeatedly under fire as the opposition Labour party's

lead has soared in the opinion polls, the Mr Major dismissed the sniping from Tory backbenchers.

Stressing his commitment to sustained economic recovery, peace in Northern Ireland and a radical overhaul of public services, he said he did not believe "that it is the loudest voice that carries furthest: it is often the still voice that lasts right the way through the storm".

Mr Major issued another strong call for unity in the Tory party to allow the government to reap the rewards of the economic upturn.

It would be "folly running off the Richter scale" if the Conservatives threw away the opportunity of "the best economic recovery in living memory".

But Mr Major was absolutely clear that the nine Tory MPs suspended since last month's rebellion over the European Union budget would not be readmitted unless they demonstrated their support for the government.

Ready to ride out the storm. Page 15

## Russians prepare for final battle in Chechnya

### Yeltsin wins backing for 'elimination' of rebel groups

By John Lloyd in Moscow

Fighting intensified yesterday around the Chechen capital of Grozny, and there seemed little doubt that Russia has committed its troops to a final battle with Chechen forces.

Russian soldiers were still holding back from an assault on Grozny itself, but the conflict, which threatens the stability of the Russian government, was entering a new phase in the rebel Caucasian republic.

Early yesterday, Russian jets tried to knock out the TV tower in Grozny. According to Chechen officials, they also failed in an attempt to bomb Chechen president Dzhokhar Dudayev's residence.

Support for a decisive military campaign came from a meeting of Russian ministers and senior parliamentarians in Moscow. Interfax news agency reported that the meeting had decided to "eliminate" illegal groups, and that the flight of much of the civilian population from Grozny and surrounding areas had helped "the actions of the Russian armed forces".

The meeting blamed General Dudayev for refusing to negoti-

ate, although Mr Leonid Smiragin, an adviser to Mr Boris Yeltsin, the Russian president, said talks were still possible.

However, he said that the Chechen leader would have to come to Mordok, the main Russian base near the Chechen border, an invitation Gen Dudayev has so far rejected.

Mr Smiragin hinted at the justification for a Russian advance on Grozny. "So far, there is hope that Dudayev maintains some kind of order in the city. If it fades, reports will start to come about looting of the population and anarchy, and the federal authorities will have no way out other than to storm the city."

Yesterday's fighting was concentrated around the settlements of Dolinskoye, 20 miles from the capital, and Petropavlovsk, six miles north-east of Grozny. Reporters said many houses in the Dolinskoye were destroyed or in flames.

Continued on Page 16



Former US president Jimmy Carter (left) greets Bosnian Serb leader Radovan Karadzic yesterday before their talks in the Bosnian Serb stronghold of Pale. Carter is visiting the former Yugoslavian republic in an effort to break the deadlock in the peace negotiations. Clinton administration officials have emphasised that his mission is private and 'not a US government project'.

## European ministers concerned over treatment of Kurdish minority

### Delay for Turkey's EU trade pact

By Emma Tucker in Brussels

Turkey's hopes of sealing a customs pact with the European Union looked certain to be delayed after EU ministers last night raised concerns over human rights abuses against the country's Kurdish minority and Greece's treatment of its Turkish minority.

The customs union, which would open the European market to Turkey and bring its trading system into line with the EU's, is now unlikely to be signed until early next year.

It is understood that Greece will not drop its opposition to the pact until a date has been set for

the start of negotiations to bring Cyprus into the EU. This is expected next year, after the EU observer on Cyprus has reported on progress made in talks between the divided island's Greek and Turkish communities.

In a separate development at the meeting in Brussels yesterday, foreign ministers gave their final approval to the Uruguay Round trade accord and the legislation required to implement it.

The 12 agreed to send the necessary papers - which will be formally signed on Thursday - to Geneva on December 30, by which time all member states should have ratified the package. France, Spain, Portugal, Belgium and Greece have still not completed ratification, but senior Commission officials are confident all the documents will reach Geneva by December 30.

During the meeting - the last

foreign affairs council to be held under the German presidency - EU ministers told their Turkish counterpart, Mr Murat Karayalcin, that they were concerned about the treatment of Turkey's Kurdish population, in particular the decision earlier this month to jail eight Kurdish MPs.

However, they stressed that

Continued on Page 16  
EU fisheries talks, Page 2

## Minmetals threatens debt suit against Lehman Bros

By Louise Lucas in Hong Kong and Richard Waters in New York

China National Metals & Minerals Import and Export Corporation (Minmetals), one of the three Chinese trading companies being sued by US investment bank Lehman Brothers over alleged unpaid debts, is threatening to sue the bank over alleged improper and unfair business practices.

In an unusually aggressive move for a Chinese company, Mr Cao Yongfang, president of company subsidiary Minmetals International Non-Ferrous Metals Trading Corp, said the Hong Kong arm of a US law firm had been asked to prepare a suit. "We have instructed our attorneys to investigate all aspects of Lehman's dealings with our companies in order to pursue counter-claims based upon what we believe were Lehman Brothers' improper and unfair marketing, trading and investment advisory services," he said.

Lehman last month launched a suit in New York against Minmetals, China United Petroleum Chemicals (Cunipech) and China National Metals and Minerals

Import and Export (CNM) for allegedly failing to pay a total of nearly \$100m in debts arising from foreign exchange and swaps trading.

Minmetals' counterclaims could top by "tens of millions" of dollars the \$52.5m, plus interest, which Lehman claims the company owes it, according to Minmetals' lawyers.

Lehman yesterday dismissed the allegations as "absolutely ridiculous and untrue. Just how ridiculous will become clear as the lawsuit unfolds."

Turning the tables on a case which some bankers saw as a hardening of attitude by western financiers over unpaid Chinese debts, Minmetals' lawyers claim Lehman "lured a young and inexperienced employee" into making trades which he was not authorised to conduct.

Kaye Scholer Fierman Hays & Handler, the law firm acting for Minmetals, claims this single employee - who was 31 when he first started conducting foreign exchange trades through an offshore bank account set up at Lehman Brothers - was granted a higher trading limit than that accorded to the Bank of China.

In spite of his youth and inexperience, however, Minmetals Non-Ferrous entrusted the employee with sole responsibility for conducting authorised physical and futures trades of metals out of London on its behalf.

Mr Franklin Chu, the partner in charge of Kaye Scholer's Asia Practice based in Hong Kong, compared Lehman's business practices unfavourably with those of Bankers Trust, the US bank which is facing two lawsuits over derivatives sold to Gibson Greetings, the US greetings card company, and Procter & Gamble.

Minmetals Non-Ferrous foreign exchange trades, according to Kaye Scholer, were conducted over two years. Permission to carry out such trades had already been explicitly refused by Minmetals Non-Ferrous president.

As time went on, the lawyers allege, Lehman "lured this young employee with progressively more inappropriate trades". A Lehman executive claimed senior executives at Minmetals were fully aware of the trading that was going on. Last year, the same trader had made a profit of \$28m from the same strategy.

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# Bulgarian Socialists to seek coalition

## Decisive election win raises hopes for economic reform

The Bulgarian Socialist party won a decisive victory in Sunday's parliamentary elections, preliminary results show, writes Theodore Tsoev in Sofia. Calculations based on 95 per cent of the vote give the BSP, the successors to the Communist party, 43.5 per cent support and an outright majority of more than 120 seats in the 240-seat chamber.

Mr Zhan Videnov, BSP leader, who is expected to become prime minister, said he would try to form a broad coalition government. However, other parties have so far ruled out co-operation with the former communists.

The last election in October 1991 was won by the Union of Democratic

Forces, a broad anti-communist alliance, but it fell from office after losing a vote of no-confidence in October 1992.

A non-party government of technocrats took over, led by Mr Lyuben Berov and supported in parliament by BSP votes and a collection of break-away parties from the UDF.

On Sunday the UDF won only about 24 per cent of the vote and 60 seats, compared with 34 per cent support and 110 seats in 1991. At that election the BSP won 33 per cent of the vote and 106 seats.

Under Bulgaria's electoral rules, only parties which gain more than 4 per cent support win representation in parliament. In Sunday's turnout of more than 75 per cent, the Popular Union attracted more than 6 per cent of the vote, the ethnic Turk Movement for Rights and Freedom (MRF) won more than 5 per cent, and the Bulgarian Business Block took just under 5 per cent.

Monarchist parties failed to gain entry to parliament, as did the Democratic Alternative for the Republic, a small coalition of centre-left parties.

Both the UDF and the MRF have appealed to the anti-communist forces to combine their efforts to become an alternative to the Socialists.

Bulgaria now has an opportunity for stable government by a Socialist party which is internally divided but which is likely to be dominated by pragmatic reformers who accept the need for a market economy and privatisation.

In this Bulgaria is following a pattern established elsewhere in central Europe, where pragmatic wings of Socialist parties in Poland, Hungary

and Lithuania have gained the upper hand following electoral victories.

However, unlike these countries, where economic reforms are well advanced, Bulgaria has a long way to go.

A report by the International Monetary Fund's representative in Sofia revealed last week that Bulgaria is expected to have the highest rate of inflation and the lowest real economic growth in eastern Europe next year.

According to the report, the reasons for this disappointing outcome are the long delays in implementing necessary structural reforms, combined with mistakes in macro-economic policy.

# EU strives to settle fishing row with Spain

By David Gardner in Brussels

European Union expansion from 12 to 15 nation-states from January 1 was still at risk last night, as the EU struggled to agree the terms of Spain's full integration into the Union's Common Fisheries Policy (CFP).

EU fisheries ministers were meeting in Brussels in an effort to put flesh on the bones of the tacit agreement brokered by the current German presidency of the EU at last week's summit of European leaders in Essen.

But differences over details of Spanish access to waters west of the UK and Ireland, and over control mechanisms on over-fishing of diminishing stocks, were still far from being resolved. EU negotiators said. The Spanish government has said it will not complete ratification of enlargement - set to bring Austria, Sweden, and Finland into the Union in January - unless the CFP issue is settled.

Spain and Portugal were promised in March that they would be fully integrated into the CFP by January 1996 - six years ahead of the date agreed in 1988 when the Iberian countries became member states.

All member states agreed that if new member states were to get full rights then restrictions on the Spanish fleet - the EU's largest - could no longer be justified.

Last spring's enlargement talks were in great part dominated by Spain's objections to allowing Norway to gain EU entry on terms far better than those offered to the Iberians. Norway is one of Europe's leading fishing powers, but, in the event, its people voted against membership.

But Spain insists that a political deal was struck in March, and its parliament has told the Madrid government not to formalise ratification unless it is now delivered.

At Essen, Chancellor Helmut Kohl and Spanish prime minister Felipe Gonzalez are understood to have reached an agreement whereby there would be no discrimination against Spanish fishing vessels. Translating this into practice is, however, running up against a barrier of national interests.

The UK and Ireland want to keep the Spanish fleet as far as possible out of the waters west of their two countries - the so-called "Irish Box" which Spanish fishermen traditionally know as the "Gran Sol" - while France also wants to restrict Spanish access in the Bay of Biscay, a traditional tuna and anchovy ground for Spain's northern fleet.

Spain is currently subject to restrictions which allow 160 out of a list of 300 vessels into the Irish box at any one time. In a hardline document delivered to yesterday's meeting, Spain made clear it would not tolerate any restrictions which are not simultaneously applied to other EU fishing vessels.



Serbian President Slobodan Milosevic (left) and Andreas Papandreu, Greece's premier, after a meeting in Athens yesterday

# Carter pushes Bosnian Serb offer

By Paul Adams in Pale, Laura Silber in Belgrade and agencies

Mr Jimmy Carter, the US peace mediator, yesterday announced that the Bosnian Serbs had agreed an immediate ceasefire. He said after talks with the leader, Mr Radovan Karadzic, that they were willing to discuss the international peace plan.

Before the meeting in Pale, the Bosnian Serb capital, the former US president had walked into controversy when he said that Bosnian Serbs wanted peace and that Americans "have primarily heard one side of the story": that the Bosnian Serbs were the aggressors.

The White House, which has been sceptical of Mr Carter's latest peace foray and has emphasised that it is not an

official mission, immediately disputed his assertion about which side was the aggressor. "The Bosnian Serbs are the aggressors in this war," a White House spokeswoman said. "I think the American people have had an opportunity to see what's happening on the ground there and to see both sides of the story."

Mr Carter said after several hours of talks with Mr Karadzic, who had invited him to undertake his mission, that he would return to Sarajevo to put the ceasefire proposal to the Muslim-led Bosnian government. Mr Carter said: "The Bosnian Serb side agreed to an immediate ceasefire and to negotiate a lasting cessation of hostilities. While a ceasefire is in place, Bosnian Serb leaders agree to discuss peace on the basis of the contact group plan at a mutually acceptable side."

Mr Carter, said he had informed the White House of the outcome of his mission.

There was also controversy over whether the Bosnian Serbs had fulfilled the pledges they gave to Mr Carter before he agreed to meet them. Since Mr Karadzic issued his promises last week, Serb forces have attacked peacekeepers and civilian targets in Sarajevo, blocked UN convoys and expelled more civilians from Serb-held territory, UN officials reported.

The Bosnian-Serbs say publicly they have limited expectations from Mr Carter's visit. But officials hint privately that the leadership in Pale may be close to accepting a revised version of peace proposals first presented by the five-member contact group in the summer. The original plan, they believe, called on the Bosnian Serbs to

withdraw from territory before negotiations on complex issues such as agreed land swaps and links between the Bosnian Serbs and what remains of Yugoslavia.

The contact group plan has been changed, "an official said. The latest version makes it clear that only a ceasefire and verbal commitment are needed before negotiations begin. The official said that what the Serbs wanted was "near to independence. We are not looking for a seat at the UN. Our idea is to unite with Serbia". Unity would not preclude close economic and administrative ties with the rest of Bosnia, he said.

His remarks appeared at variance with the frequent public insistence that only full, internationally recognised sovereignty would satisfy the Bosnian-Serbs.

# Berlusconi hit by ministers' threat to resign

By Robert Graham in Rome

The Italian government was further undermined yesterday by the prospect of ministers from the populist Northern League resigning in advance of tomorrow's no-confidence vote in parliament.

At least three of the five League ministers said they preferred to resign their portfolios before voting against the right-wing coalition of which they formed part.

Mr Giancarlo Pajjarini, the finance minister, went further and became the first minister to criticise openly Mr Silvio Berlusconi, the Italian premier, by claiming "he lacked the ability to run the government".

But Mr Berlusconi still received support yesterday - albeit lukewarm - from Mr Roberto Maroni, the interior minister and the most influential League figure in the cabinet.

Within the movement, backers of Mr Umberto Bossi, the League leader, were gathering

signatures from deputies to check those willing to vote against the government. Another group was collecting the names of those among the 105 deputies who would either abstain or vote for Mr Berlusconi.

Mr Bossi has tested the loyalty of a sizeable number of deputies by turning towards the former communist Party of the Democratic Left (PDS) as a potential ally.

Others are concerned that since the election was due to strong backing from Mr Berlusconi's Forza Italia movement, they cannot easily break this link without betraying the electorate.

However, the League is aware that the government has little chance of survival and that all options should be held open.

Apart from Mr Pajjarini, the two other ministers willing to resign are Mr Francesco Speroni, in charge of institutional reform, and Mr Vito Gatti, industry minister. Mr Pajjarini justified his support for Mr Bossi by saying the government had failed to fulfil its objectives and that he had been left to operate in a vacuum.

The stance of the League will be crucial for the eight-month-old government in the three no-confidence motions due to be debated on consecutive days from tomorrow.

Mr Bossi needs about 50 deputies to remain loyal to ensure the downfall of the government. He has sponsored one no-confidence motion in tandem with the Popular party (PP) of Mr Rocco Buttiglione as part of what he says is a new Liberal Democrat axis.

Tension will heighten as the government and opposition seek to drum up support and organise street demonstrations.

# Balladur in fresh offensive on jobs

By David Buchan in Paris

Mr Edouard Balladur, French prime minister, yesterday proposed to cut sickness insurance charges for lower-paid workers, in another move to encourage hiring by French employers and to reduce the country's high unemployment.

The proposal, made in Le Monde newspaper, comes amid other signs that the debate between Gaullist contenders for the presidency is lurching to the left, on to political terrain left vacant by Mr Jacques Delors' refusal to be the Socialist candidate.

Mr Balladur has already shifted some of the burden of family allowance charges from companies to the state budget. But despite public pressure from the Bank of France to close the public deficit, he now proposes making the same switch for sickness insurance charges.

Reducing such charges on lower-paid workers would cost the state FF13bn (\$2.53bn), and a total of FF460bn if extended to all employees, Mr Balladur said.

In his broad-ranging article, he said he would use France's presidency of the European Union which starts next month to propose to the EU's 15 members a convention on employment, social security protection and vocational training.

The swing to the left is being led by Mr Jacques Chirac who launched his first big campaign rally in Lyons last week with an attack on the country's conservative rulers.

In another sign of France's shifting political landscape, pro-Chirac deputies joined the socialist and communist opposition yesterday to pass a resolution urging the government not to agree to a new international code against direct subsidies to shipbuilders. However, the government appears committed to joining the rest of the EU in approving the code.

# Bundesbank holds the key to festive mood

By Andrew Fisher in Frankfurt

As Christmas approaches, the Bundesbank is making those who analyse its every action wait a little before they can relax into festive mood.

First, they will have to digest all the German central bank has to offer this week in the way of economic analysis, monetary performance and policy targets.

Among economists, a debate is raging as to whether the German central bank will start raising official interest rates soon, wait until late next year or beyond, or manage one more reduction in the present economic cycle. They are hoping for clues when the Bundesbank announces its 1995 money supply target on Thursday.

Most economists expect gradual rises in rates from the second half of next year, a cut at this stage would unsettle bond markets.

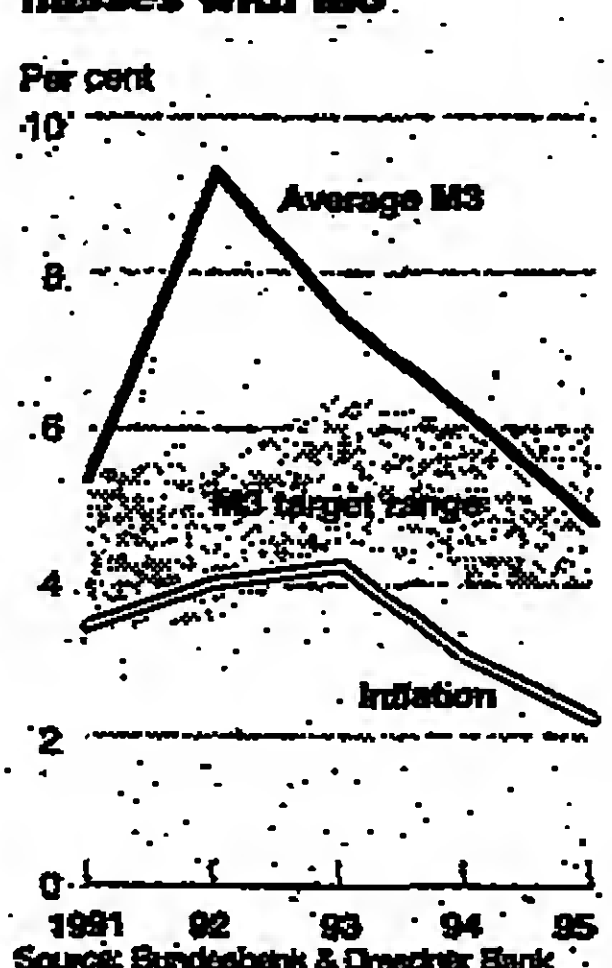
Yesterday, the bank offered some seasonal cheer with its monthly report. This highlighted the strength of the economic upturn, welcomed the fall in the public sector deficit - expected to decrease by some DM20bn (\$3.1bn) this year to around DM115bn - and said west German inflation could decline to below 2.5 per cent early next year.

Figures are also expected shortly showing that growth in M3, the broad monetary aggregate, eased further to an annualised rate of just over 6 per cent in November. This would still leave M3 slightly above the 1994 target range of between 4 and 6 per cent, but mark the continuation of a huge improvement on the overblown growth rates in the first half of the year.

At Thursday's meeting, therefore, the consensus is that the target level for 1995 will be roughly the same.

But beyond that, economists' opinions diverge sharply. The Bundesbank has calmed markets by holding open all possibilities.

Germany's hits and misses with M3



Source: Bundesbank & Deutsche Bank

mann Remspurger, chief economist at BHF-Bank in Frankfurt. The last reduction in official rates was in May, when the discount and Lombard rates were cut by half a percentage point to 4.5 and 6 per cent respectively.

Then, the aim was to slow the alarming acceleration in M3 growth by encouraging investors to move funds from short-term deposits to longer term instruments. "Looking back on 1994," added Mr Remspurger, "I would say the Bundesbank's experiment of using rate cuts to brake money supply growth has succeeded."

Ms Alison Cottrell, London-based economist at Kidder Peabody of the US, also believes the Bundesbank is trying to keep markets happy.

"They want to keep the hope of rate cuts alive all the time. That's the reason they're not cutting." Nor does she see any pressing reason for further reductions now. She expects renewed tightening in late summer or autumn next year.

Neither she nor Mr Remspurger totally exclude the possibility of a cut early next year, though.

Among those arguing strongly for such a move is Dresdner Bank. "There remains a good chance that the Bundesbank will cut the dis-

count rate once again," the bank's research arm said. Admitting its view was controversial, it cited the improving monetary and inflation situation (including the prospect of moderate wage deals).

Taking the opposite view is Goldman Sachs, the US investment bank. Its Frankfurt-based economists have criticised the Bundesbank's rate cuts and what they call its "liberal interpretation" of the monetary target in 1994.

Thus they see the need for "a moderate increase in official interest rates in the course of 1995".

Mr Remspurger sees the truth as lying somewhere between the two. For him, the importance of Thursday's meeting will be more in what the Bundesbank says about M3 performance and targets than in the actual figures. "An unchanged M3 goal will send the message that the Bundesbank takes account of the overshooting of the target and intends to correct this."

M3 and future inflation is not always clear, some economists feel the Bundesbank should tighten policy early as a precaution against any speeding up of inflation in 1996. Mr Martin Hüther, economist at Bayerische Vereinsbank, says interest rates should go up in the first half of 1995.

For Ms Cottrell, however, it will be fiscal policy that determines when, and if, rates rise next year. If both the consolidation of the federal budget and wage trends look like getting out of hand, she thinks the Bundesbank could use interest rate rises as a "psychological tool" to knock sense into politicians and wage bargainers.

Undoubtedly, the central bank continues to take M3 seriously, despite criticism from those who feel it has wavered from the true monetary path. Thus the Bundesbank is likely to underscore its commitment to monetary targeting when it sets its 1995 range for M3 on Thursday. Then the Christmas celebrations can begin.

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## EUROPEAN NEWS DIGEST

# González aide held in probe

One of the shadowiest episodes of the period in office of Mr Felipe Gonzalez, the Spanish prime minister, is expected to be unravelled following the arrest of a senior member of the governing Socialist party in connection with a right-wing death squad that waged an undercover war against Basque separatists in the 1980s.

Ms Margarita Robles, the interior ministry's secretary of state, told the Madrid parliament yesterday that a high court judge had ordered the arrest of Mr Julian Sanz-Sobrado, a senior government official in the Basque Country between 1984 and 1986, director general of state security between 1984 and 1986 and subsequently a member of the Socialist party's policy council. Ms Robles said the arrest of Mr Sanz-Sobrado, together with three police officers, had been ordered by Judge Baltasar Garçon on charges of attempted murder, kidnapping and misuse of public funds.

Mr Mario Conde, the former chairman of Banco Español de Crédito (Banesto), who was indicted on fraud charges last month, was interrogated yesterday by a Madrid investigating judge. The questioning, which centres on the collapse a year ago of Banesto, then the fourth-ranked Spanish bank, continued late into the night and is expected to continue today. *Tom Burns, Madrid*

## Hurd tries to calm Gibraltar

The British foreign secretary, Mr Douglas Hurd, yesterday moved to reassure Gibraltar over its status as a UK colony ahead of talks with his Spanish counterpart, Mr Javier Solana. Mr Hurd said the UK remained committed to the Gibraltar constitution which states there can be no change in the colony's status without the consent of the local people. Spain said last week it planned to resurrector suggestions for a lease-back of Gibraltar, or a sharing of sovereignty, when the annual bilateral meeting on the future of the British colony takes place in London today. However, Gibraltar's chief minister, Mr Joe Bossano, yesterday separately raised the stakes for the talks by accusing both London and Madrid of destabilising his administration. He accused the Foreign Office of conducting a "dirty tricks" campaign against him because of UK newspaper coverage that the colony was turning into a money-laundering and drugs centre. Mr Bossano also criticised Spain for making similar accusations. *Jimmy Burns, London*

## French contract 'cartel' inquiry

France's Council on Competition is expected to rule next spring on a preliminary report that the country's main public contractors have systematically rigged bids on highway, bridge and high-speed TGV rail track contracts over the past few years. According to the preliminary report, which has been leaked to the *Cannard Eschadé* investigative weekly, the Council on Competition has uncovered 27 alleged cases of market and price rigging by some 50 companies, including Bouygues, Générale des Eaux and Lyonnaise des Eaux. The companies now have two months to respond to the allegations, before the Council prepares its final report, which could recommend sizeable fines. *David Buckton, Paris*

## VW's Skoda stake to increase

The Czech government yesterday cleared the way for Volkswagen to increase its stake in Skoda Automobily by approving a controversial amendment to a 1991 agreement. The amendment allows Volkswagen to take its stake in Skoda from 31 per cent to 60.3 per cent by the end of this year and to 70 per cent by the end of 1995, for a total cost of DM1.4bn. But the new agreement also accepts a substantial cut in Volkswagen's overall investment in Skoda to DM1.5bn (\$2.57bn) when the original contract was signed, to DM1.7bn. In return, Volkswagen has agreed to expand Skoda's production capacity to 340,000 cars a year by 2000 from 290,000 currently and to introduce a new family-type car based on a Volkswagen design. *Vincent Boland, Prague*

## Russian businesses join forces

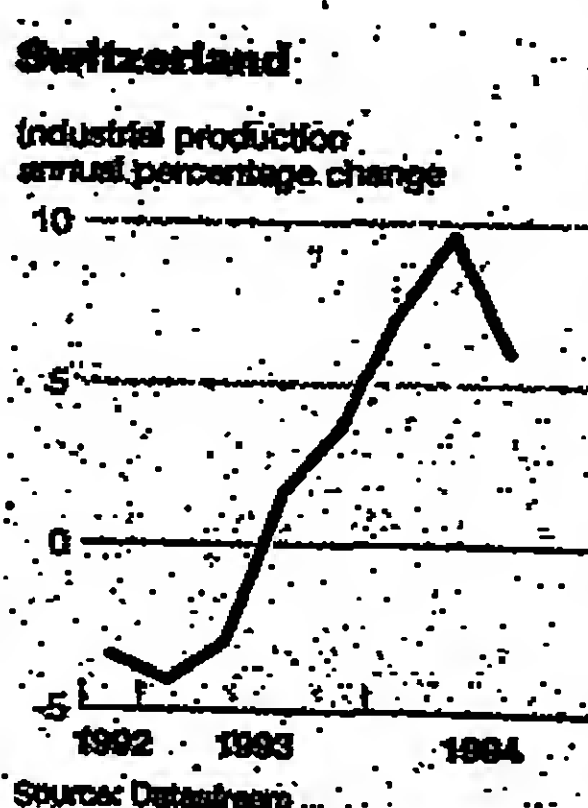
Russia's emerging capitalists are again searching for a constructive role in a society in which many people still regard making profits as an unethical pursuit. More than 1,000 Russian business leaders gathered in Moscow yesterday to form an association to represent their interests more effectively. The First Congress of Russian Businessmen called on the government to stiffen its plans for a tight 1995 budget, to stabilise the economy, to reduce inflation, cut government spending and reform the tax regime. Representatives asked the government to encourage a more favourable investment climate, making it possible to channel private money into parts of the manufacturing sector which stood "on the brink of destruction". *John Thornhill, Moscow*

## German TV station boosted

Vox, the ailing German television station in which Mr Rupert Murdoch's News Corporation has a 49.5 per cent stake, will spend DM200m (\$31.6m) on its programming next year, the channel was started at the beginning of 1993 by Bertelsmann, the German media group, but went into liquidation last April when a number of the original shareholders withdrew. Several of Germany's 16 state media authorities were reluctant to renew the Vox licence after the channel went into liquidation, arguing that Mr Murdoch's arrival in July meant the new shareholders and programme mix bore no resemblance to the original channel. However, a spokesman for Vox, said the media regulators had approved the new line-up. *Michael Lindemann, Bonn*

## ECONOMIC WATCH

## Swiss industrial output falls



Source: Osterreich

Swiss industrial production was 6 per cent ahead in the third quarter and new orders were 12 per cent higher than in the third quarter of 1993, according to the Federal Statistics Office. Industrial production, however, slipped 4.4 per cent in the third quarter from the second quarter. Export orders were 13 per cent higher year-on-year and 3.6 per cent ahead of the second quarter rate. A machinery industry spokesman said demand was strengthening, but export orders were being taken on very thin margins because of the strength of the Swiss franc. The improvement also reflected unavoidable reworking and watchmaking sectors. Domestic orders jumped as approached. Its effect will be to reduce the cost of capital goods. Domestic orders were up 10 per cent year-on-year, 1.8 per cent higher than in the second quarter. *Ian Rodger, Zurich*

for the budget deficit and government borrowing requirement in the current budget year. The audit office said tax increases and spending cuts announced in November would help lower the budget deficit in the 1994-95, July-June fiscal year to SKr189bn (\$16bn) from the SKr201bn it estimated in October. The borrowing requirement was now expected to total SKr227bn, compared with the previous estimate of SKr242bn. However, the new figures still show a budget deficit equivalent to more than 12 per cent of gross national product and are unlikely to ease the pressure on Mr Göran Persson, the finance minister, to produce a further round of deep spending cuts in his 1995-96 budget proposals due next month.

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## Bank of Japan chief aims to tackle bad loan problem

By William Dawkins in Tokyo

Mr Yasuo Matsuhashita, new governor of the Bank of Japan, yesterday pledged that resolving the banking system's bad-loan problems would be one of his most important tasks.

Mr Matsuhashita, in his first public pronouncement since taking office last week, said bad loans had peaked, "but I am not confident the matter has started to improve in terms of the adjustment of corporate balance sheets."

Attempts to recoup some of those loans by disposing of property collateral were "not necessarily proceeding smoothly," he declared.

The problem would not disappear until non-performing assets could be made more liquid and businesses and financial institutions had improved their cash flows. Markets to clear such loans existed in the US, he added, referring to the securitisation of bad debts, but

no such system existed in Japan. "Interest rate problems" and complex property rights were also factors.

While unspecific, Mr Matsuhashita's remarks were welcomed by equity analysts as a sign the new governor will be sympathetic to the Japanese banking industry's problems, and so can be expected to make the financial market's stability a high priority.

Japan's 21 leading banks reported ¥15,300bn (¥26.2bn) of bad debts, 3.45 per cent of total loans, at the end of September, widely seen as a drag on new lending. That only includes loans on which repayment is more than six months late; the total is generally estimated to be at least double if all restructured loans are included. Full disclosure would increase confidence and management responsibility, but it was premature to ask banks to do this, Mr Matsuhashita said.

He supported the decision of his predecessor, Mr Yasushi

Mieno, to use Bank of Japan capital, for the first time since 1927, to rescue two small credit co-operatives. This must have been the best option, he said.

Yet the new governor appeared less optimistic on the economic outlook than Mr Mieno, suggesting to economists in Tokyo he will be inclined to keep short-term interest rates low.

He saw a slow economic pick-up, helped by rising industrial production and corporate earnings and improved business sentiment, but was cautious over the recovery's sustainability.

Corporate balance sheet adjustment was insufficient and personal consumption did not warrant optimism. "We cannot be too optimistic."

He saw no big change in the present economic trend. On the strength of the yen, cited recently by the Organisation for Economic Co-operation and Development as the main risk to Japan's recovery, Mr Mat-

sushita said the best way to achieve currency stability was to seek non-inflationary sustained economic growth.

The government's Economic Planning Agency yesterday set a 2.8 per cent target for GDP growth in the year to the end of March 1995, slightly above the OECD forecast and well above most private-sector predictions.

At the same time, it revised down the growth target for the year to March 1995 from 2.4 per cent to 1.7 per cent, again well above most private-sector forecasts for growth of less than 1 per cent.

The EPA expects this fiscal year's current-account surplus to be higher than earlier forecast: \$127bn (¥79.3bn) rather than \$125bn.

That, however, marks a politically welcome decline from last year's \$131.4bn. It forecasts that the surplus will go on falling next year, to \$122bn in the 12 months to March 1996.

## Anniversary of Sino-British declaration underlines change in attitudes

### Chinese count the seconds until they regain Hong Kong

By Tony Walker in Beijing

Tiananmen square in central Beijing has witnessed more than its share of momentous events, but yesterday's unveiling of a clock marking the days and seconds until Britain's handover of Hong Kong must rank as one of the more curious.

When the clock, attached to the columns guarding the entrance to the Museum of Revolutionary History, was unveiled by municipal officials it showed there were 925 days and 79,924 seconds to go before the July 1 1997 deadline.

The ceremony also coincided with the 10th anniversary of the signing of the Sino-British joint declaration on the Question of Hong Kong that took place in happier circumstances than those prevailing between Beijing and London.

Among onlookers who gathered in lightly falling snow to witness the unveiling, the mood was nationalistic. "With such a clock the idea of Hong Kong returning to the motherland will enter people's hearts gradually," said a woman student. The idea for the clock came from editors associated with the popular magazine Top Brands published by the official Xinhua news agency. Mr Li Weimin, editor-in-chief of the magazine, said yesterday the clock was the "most appropriate" way to draw attention to the resumption of Chinese sovereignty over Hong Kong.

"Tiananmen square is the focal point of the nation, and that is why we suggested that a clock be placed on the square so that it can best represent people's patriotism and elevate national spirit," Mr Li said.

China's press, in its coverage of the joint declaration's anniversary, highlighted remarks by Mr Qian Qichen, the foreign minister, and Mr Lu Ping, director of the Hong Kong and Macau Affairs Office, in which they hailed the document as a "great achievement".

"Implementing the principle of 'one country, two systems' toward Hong Kong after 1997 is neither an expedient measure nor a matter of being swayed by our emotions... this is China's long-term state policy," Mr Lu said. "It is regrettable that, in recent years, the British government has departed from the spirit of the joint declaration, changed its policy toward the issue of Hong Kong and adopted the way of confrontation," Mr Lu added.



Countdown: cyclists pass the new clock in Tiananmen Square, Beijing, marking the time to go until China takes back Hong Kong

Chinese officials clearly hope the clock on Tiananmen square will reinforce popular sentiment about the importance of re-establishing Chinese sovereignty over Hong Kong, but a risk is that such propaganda exercises will further sharpen antagonism with Britain. Recent discussions between Chinese and British officials over such issues as guaranteeing the continuity of an independent judiciary after 1997 have revealed continuing sharp differences. These lingering arguments do not augur well for a smooth handover.

## Shareholders fight political funding

By William Dawkins

Shareholder groups of three leading Japanese industrial companies yesterday took court action to stop them making corporate political donations, the first such case in Japanese legal history.

This exemplifies growing public concern that corporate political funding, due to take effect at the end of the year, may contain loopholes. It shows a small yet growing tendency among Japanese shareholders to make their voices heard.

They are angry that many companies have over the past few weeks resumed political donations, a year after they claimed to have closed their coffers, ostensibly to promote cleaner politics. In the previous year, 1992, corporate donations from all sources amounted to ¥332.2bn (¥2.1bn).

The companies in this case, all Osaka-based, are Obayashi,

one of Japan's five largest construction groups, Osaka Gas and Kansai Electric Power, respectively Japan's second biggest gas and electricity suppliers. The suit, filed on shareholders' behalf by an Osaka civil rights group, seeks to stop the three companies from making donations for the Osaka gubernatorial election in next April's local elections.

The shareholders allege the three companies contravened an election law against giving money to politicians responsible for public works. Local governments can select contractors for substantial civil engineering projects. The trio are alleged to have collected ¥450m from 129 local companies for a candidate in the last gubernatorial election in 1991.

Other business groups to have started making political donations again include the construction, oil and life insurance industry associations. The Keidanren, the leading business federation, continues

to abstain from channelling its members' cash to political parties, but says member organisations have kept the freedom to donate independently.

However, the party line-up has now been simplified by last week's merger of all leading opposition parties into a single group, the New Frontier party. This leaves Japan with a simple system of three main parties: the ruling Liberal Democratic party, NFP and Social Democratic party.

The move has made it easier, for the first time in 18 months, for companies to spot who needs to be paid to safeguard their interests. The construction industry group says it is giving to both the main parties, the LDP and NFP, the first time it has had to make a two-way political bet. Corporate political funding is to be banned entirely in five years. Meanwhile, donations can still be made to one registered fundraising group per politician.

Japan's campaign against costly economic regulations is starting to make slow progress for the first time in reducing the jungle of government red tape, William Dawkins writes.

The number of official permits and licences needed to do business in Japan, or simply live there, fell by 457, or 4 per cent, to 10,945 in the year to last March, reported the Management and Co-ordination Agency. It is the first drop recorded since 1985.

Progress is slow because new regulations emerge nearly half as fast as old ones are scrapped. Last year, for example, 829 permits were abolished, while 373 new ones were issued.

However, the pace of abolition may be increasing: 506 were scrapped in February and March alone, under a deregulation plan launched by former prime minister Morihiro Hosokawa.

## China puts terms on TV ventures

China is to introduce a regulation preventing foreigners from taking part in joint ventures to produce colour television sets unless they import advanced technology, the English-language state-run China Daily said, Reuters reports in Beijing.

"No advanced technology, no market, that is the ministry's policy," the newspaper quoted Zhang Jingliang, vice-minister for the electronics industry, as saying.

Foreign companies are eager to set up joint ventures in China with the aim of gaining a larger slice of China's huge market for home appliances, the newspaper said. Since introducing its first colour television production line in 1980, China has invested Yuan 20bn (¥1.5bn) in the industry.

China has an annual output capacity of 20m colour televisions a year and 15m tubes,

last year it ranked third in the world after South Korea and the US, with output of 13m sets, the China Daily said.

Production is expected to reach 14m sets this year and 18m-20m by the end of the century. China exported 4.6m sets last year and the ministry hopes to raise this to 8m by the year 2000.

The production value of colour televisions accounts for about 40 per cent of the total of the electronics industry.

About 80 per cent of urban families but only 10 per cent of rural families have colour television sets.

China has 51 colour television manufacturers, of which five produce more than 1m sets a year.

The demand for large-screen colour televisions has increased rapidly in cities in recent years, the newspaper said.

## Still loopholes in Hanoi's new copyright law, critics say

### Vietnam attacks book pirates

Vietnam's recent copyright law brings protection up to international standards, but in "photocopy city", where books can be reproduced for a few dollars, loopholes still exist, Reuters reports from Hanoi.

National Assembly president Hong Duc Manh signed the ordinance protecting the copyright of the works of Vietnamese authors last week, according to newspaper reports.

"It's a good law in most ways," said Ms Tamara Pullin, a specialist on intellectual property rights with White and Case, a New York law firm. "It's an international standard law that covers the things copyright should cover, such as books, music and computer software." The ordinance would help Vietnam join the Berne Convention on copyright.

But until it is admitted to the convention, a serious flaw in foreign eyes is the ordinance's stipulation that foreign authors must publish their works in Vietnam to qualify for copyright protection there. If they are published abroad, they must be published in Vietnam within 30 days to qualify.

In practice, few foreign authors of books,

or composers, will do so. But computer software companies may well want to protect their works in this growing market.

"It means we would have to release simultaneously in Vietnam and the US, in English," said Ms Maureen Flanagan.

A serious flaw in foreign eyes is the stipulation that authors must publish their works in Vietnam to qualify for protection there.

country manager of the US company Unisys. Computer software piracy was "standard procedure" in Vietnam and had been encouraged by the US trade embargo, which Washington rescinded in February.

Because legal imports of US software had been banned before then, the Vietnamese "got in the habit of importing and copying", she added. "It's worse here than China or Thailand."

When Vietnam joins the Berne Convention, it will have to extend copyright laws

applicable to its own nationals to foreign authors, too. "But until they join the convention, the 30-day rule is a big loophole," Ms Pullin said.

Mr Cameron McCullough, of Sly and Weigall/Deacons, an Australia-based law firm, said the protection offered to computer software was the key element of the law.

Vietnam is keen to develop an information technology (IT) industry as well as a publishing one. "A copyright law is an essential element for protection of intellectual property to develop sectors of the publishing industry. It is important for IT and absolutely critical for development of a software industry."

The law covers works including plays, broadcasts, videos, photographs, architecture, maps and books.

How effective it will be against local piracy remains to be seen. There are lucrative businesses based on photocopying popular books and documents, and pirated popular compact discs imported from other Asian countries have appeared on street stalls in large numbers recently, selling for about \$1 each.

## Warning on costs of protectionism

By Our Foreign Staff

A senior Indonesian minister yesterday warned that protectionism would raise local production costs and erode the international competitiveness of Indonesian industry.

The warning from Mr Ginanjar Kartasasmita, the planning minister, came amid a growing debate in Indonesia over efforts by a private company, PT Chandra Asri, to obtain protection for a \$1.7bn petrochemicals complex being built in west Java. The main backers of the project include President Suharto's second son Bambang Trihatmodjo.

"We have to be very selective in protecting our firms since this raises costs for downstream users, which in turn makes these industries less competitive," Mr Ginanjar told a conference on manufacturing.

"We have to ensure that protection does not constitute a government subsidy to non-competitive businesses, denying these resources to infrastructure, education and health, which are fundamental to our long-term development success," he said.

The Chandra Asri debate has been front-page news with economists, former ministers and finance minister Mar'ie Muhammad speaking out against protectionism.

The company has asked for tariff barriers of up to 40 per cent for its plant, which is expected to produce ethylene and propylene. The tariffs would protect the Chandra Asri plant, due to come on stream next year, from cheaper imports. The company argues the protection is necessary because it will take several years before Chandra Asri becomes profitable.

## Eastern demand lifts Cognac spirits

The industry expects valuable markets in China and Vietnam, writes John Ridding

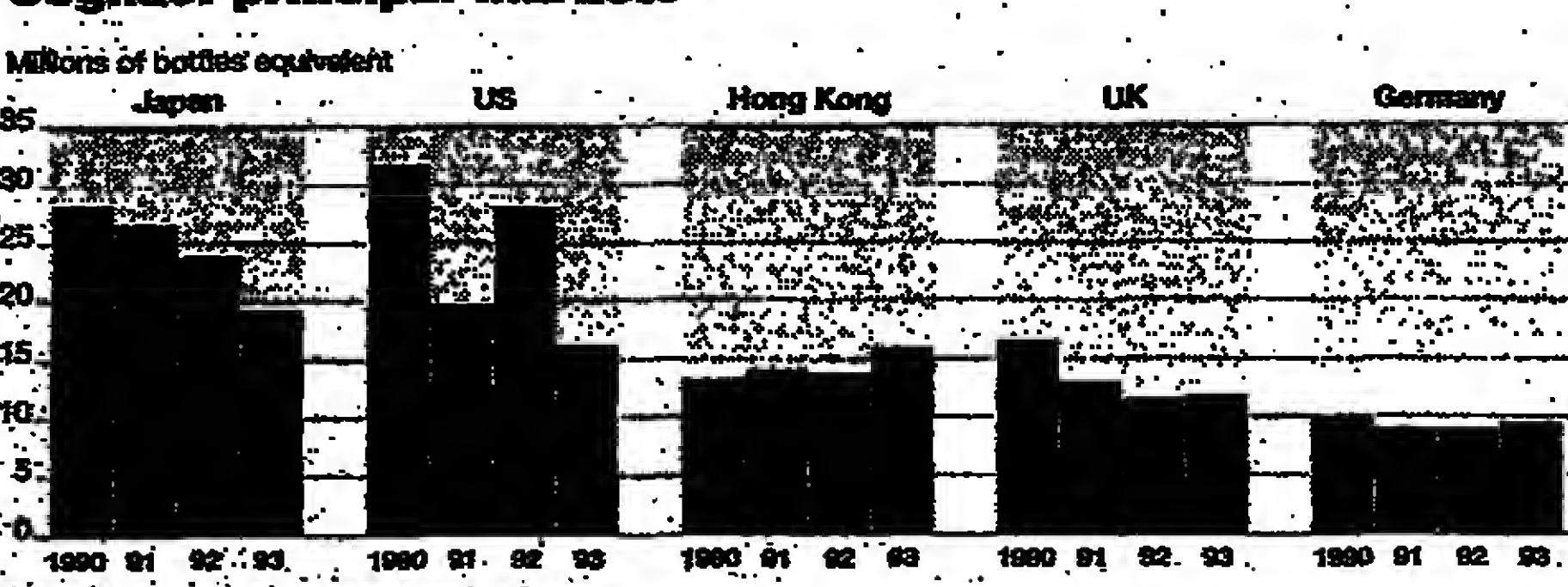
The Cognac region of south-west France is in better cheer. Producers of what Victor Hugo described as the "liquor of the gods" are starting to see stronger shipments after years of sober demand. More important, the industry is hoping the rise of valuable new markets, notably China, will lead to a further surge of exports.

"In the next 10 years, China has the potential to become by far the world's biggest market," says Mr Gilles Hennessy, vice-president of Hennessy, one of the largest Cognac houses. "Along with markets such as Vietnam, this is where we see future growth."

This is echoed by industry analysts. In a report on Rémy Martin, the biggest name in China, Mr Edouard de Bolesglin, a Merrill Lynch analyst, describes the market as "a new Eldorado". He believes growth will be uneven and vulnerable to political and economic developments, but the coastal Chinese market could reach 28m bottles by the year 2000, against 6m at present, and 20.8m in the US, the biggest market in 1993.

For the Cognac producers, the importance of China and other new markets reflects several factors. The Bureau

Cognac: principal markets



National Interprofessionnel du Cognac, representing the 300 or so Cognac companies, says about 94 per cent of sales comes from exports, with the lion's share accounted for by the US, Japan, Hong Kong and western Europe. As a result, the industry depends on markets which in many cases are mature or sluggish.

But room still exists for growth. The US has rebounded from recession to regain its position as the number one market. Analysts also expect recovery in Japan, badly hit by economic downturn.

"There, a lot of purchases were on corporate entertainment budgets and these have

been hit as companies have tightened their belts," says Mr Hennessy, whose company is the market leader. Overall sales in Japan fell to 17.4m bottles-equivalent in the year to the end of August, from 22.3m in the same period in 1992-1993. Price cuts have prompted improvement, but the return to previous levels has so far proved gradual.

Despite resurgence in shipments to the US, and Japan's recovery prospects, few observers see rapid growth in existing markets. New markets are prompting the enthusiasm.

"Emerging markets such as China are the main hope," one analyst at a French bank said.

This hope is partly justified by the Chinese market's rapid growth. "The Chinese have always had a taste for Cognac," says Mr Hennessy.

Whether the appetites of the Chinese consumer and the Cognac companies will be satisfied depends on progress in resolving the obstacles. Most important are the high taxes facing importers of liquors and spirits. Tariffs increase the cost of a bottle of Cognac by about 180 per cent; taxes take the total price rise to almost 250 per cent. Import barriers are an important element in talks on China's membership of the World Trade Organisation, successor to the General

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NEWS: INTERNATIONAL

Israel's markets tax to go ahead

By Julian Ozanne in Jerusalem

Israeli prime minister Yitzhak Rabin yesterday said a controversial capital gains tax would go ahead on January 1 as planned. The statement put an end to a cabinet row over the proposed measure and settled more than a week of uncertainty.

Mr Rabin made the announcement after meeting Mr Abraham Shochat, the finance minister, who spent last week fending off fierce criticism over the tax on stock market profits. Opponents maintained that imposition of the tax had caused a decline in public support for Mr Rabin's Labour party.

Mr Rabin, however, said he was considering modifying the tax and would be listening to the investors in Israel's stock exchange.

Under the present legislation, investors will have the option of paying varying rates depending on whether they want to deduct stock market losses.

The option with deductions will be assessed at a 20 per cent rate on net profits and will require investors to file year-end tax reports.

The option without deductions will be assessed at 10 per cent and will be deducted at source.

Foreign investors living in countries which have a double-tax treaty with Israel, like most western European nations, will be exempt from paying the tax.

Stock market analysts say the prospect of implementing the tax has been one factor depressing the stock market which has declined about 35 per cent in the past year.

The market rallied briefly last week while Mr Rabin was abroad, but sentiment was quickly damped after the announcement and shares yesterday afternoon steadily shed their morning gains. The Mishkan index, which had risen 3.25 per cent during the morning, was up by only 0.05 per cent shortly after the announcement.

Energy and transport departments to bear brunt of government savings

Clinton lines up tax cut targets

By Jurek Martin in Washington

Senior members of the Clinton administration yesterday outlined the details of about \$24bn in spending cuts and departmental rationalisation designed in part to finance the \$50m middle class tax cut proposals unveiled last week.

President Bill Clinton also announced that he had ordered Vice President Al Gore to expand the existing "reinventing government" programme under his direction, and to produce further proposals within 90 days.

He repeated that any tax cuts had to be paid for in order not to increase the federal deficit. The bulk of finance for his proposed tax cuts comes from the \$52bn generated by continuing for two more years the freeze on discretionary spending. Over the weekend, some prominent Republicans had agreed that it would be wrong to sacrifice deficit reduction on the altar of tax cuts.

Mr Gore said consideration had been given to abolishing several government departments and agencies, as demanded by some Republicans, but that the "reform option" was the better approach. However he pledged to "make government work better and do less" and



Al Gore (left): ordered by Bill Clinton to expand the "reinventing government" programme

"to trade interference for opportunity".

Dr Alice Rivlin, the budget director, said the time had clearly come to "sort out roles and missions".

Basic questions to be addressed included: "Should the federal government be doing all these things? Should it be making all these decisions? Should it be handing out

all these specific little grants?"

The brunt of the \$24bn five year hit is being borne by the departments of energy (\$10.6bn) and transport (\$6.7bn), with smaller slices from the budgets of housing (\$800m), and two agencies which serve the federal government machine - the general services administration (\$1.4bn) and office of personnel management (\$30,000). A further \$4.5bn of spending cuts remain to be identified.

Mr Federico Pena, the transportation secretary, said his department would see its staff cut roughly in half from 106,000 to 54,000 over five years, with the 40,000 employees at present involved in air traffic control coming under the auspices of a new

government corporation.

But 10 separate departmental divisions would be consolidated into three, and 30 existing loan programmes, each with their own rules and criteria, would be reduced to three as well. Mr Henry Cisneros, secretary of housing, said 60 loan programmes to cities would be consolidated into three broad block grant categories.

The energy department, described by Mr Gore as a relic of "the Opec and Cold War" period, would achieve its savings by privatising the naval petroleum reserve in California and through a variety of management and contracting changes.

The proposals outlined yesterday will form part of the administration's 1995-96 budget, to be presented early in the year. Republican control of Congress means that changes to this will be made.

All those who followed Mr Clinton and Mr Gore to the dias said they were determined to make the relationship between Washington and state and local authorities work better. But Dr Rivlin added a warning to some of the more fervent Republican disciples of government cuts: "There are some things which must remain federal".

Nigeria fails to heed business alarms

Disenchanted companies are looking elsewhere to invest, writes Paul Adams

Ever since Nigeria's military regime detailed its economic policies in January 1994, it has received blunt warnings of economic decline and disinvestment from Nigeria's private sector. A survey of British business experiences in emerging markets, published yesterday by Control Risks Group, underlines this message. The survey shows the ratio of opportunity against risk in Nigeria as minus 4.5, whilst Africa as a whole receives a positive ratio of 2.5.

Nigeria's advantages over most of the African continent - the largest domestic market

in Africa, its dominance in the manufacturing and oil and gas sectors in west Africa and its agricultural potential - are being eroded as disadvantages rise.

Many problems stem from political instability. In 1993 and 1994, industry lost nearly two months business because of political strikes which brought fuel supplies and transport almost to a halt, and closed ports, banks and offices.

In July and August this year, the strikes hit multinational oil producers as the unions damaged equipment and threatened staff who continued to work. The manoeuvring by

the military to retain power has eroded policymaking which is either on hold, non-existent or liable to sudden U-turns. The most damaging of these was the imposition of foreign exchange controls this year which stopped several planned investments in agriculture and agro-industry by multinationals.

High inflation, low productivity and currency devaluation have hit spending power and depressed local demand while ill-conceived macro-economic policies have aggravated restrictions on investment. The limit of 40 per cent foreign ownership in the main sectors

of the economy, including oil and gas production, banking and manufacturing industry, deprives multinationals of control.

Nigeria has missed out on the interest in emerging markets funds and has been left behind by neighbouring Ghana's newer and smaller stock exchange. Payment uncertainties are an old problem for contractors and suppliers in Nigeria and now affect most sectors of industry.

The failure of the state oil company, Nigerian National Petroleum Corporation, to pay its 60 per cent share of the operating costs in its joint ventures with the international oil companies forced Shell to default NNPC in default. The oil majors have warned that unless the government improves its funding or reduces its equity, more default notices will follow next year and production will decline.

Another difficulty is fraud. International companies have become a prime target for embezzlement, false invoicing and counterfeit documents, notes and even fake drugs.

Armed robbery and street crime, and the corruption and inefficiency of the police force, make extra security essential to protect property. Several

large companies employ and equip local police units to get the service they require. At Lagos airport customs officials try to extort money, and tourists deceive, abduct and rob visitors on arrival.

Poor infrastructure also constrains business activities. Some areas go without mains electricity or water for weeks, so back-up generators, tankers delivering water and reserves of fuel for generators and cars are essential to most operations. Roads and telecommunications are poorly maintained and congested.

Bureaucratic corruption is all-pervasive at all levels from the state telephone company to the domestic agencies handling the shipping of goods in and out of the country.

Panel set up early this year by Gen Sani Abacha's military regime to probe these services are regarded as a cover-up. Military task forces usually add to the corruption and, in the case of the customs task force, increase the chaos. These problems are less discouraging when companies are making sizeable profits. But if Nigeria's economy continues its downward slide, the negative factors will add to the reasons why Nigerian and international businesses are looking elsewhere to invest.

INTERNATIONAL NEWS DIGEST

Mexican rebels break army line

Armed rebels in the southern Mexican state of Chiapas announced that thousands of their troops had slipped by positions held by government soldiers and that they now occupied 38 of the state's 110 municipalities. There were no immediate reports of fighting but eyewitnesses said Indian peasants armed with rifles were blockading highways around the state and had taken over at least one town hall. Subcomandante Marcos, leader of the rebel Zapatista Army, said the move was his troops' first "major military action" since a ceasefire declared on January 12.

Government troops have controlled the standoff by encircling Zapatista territory, but the new action may complicate the situation, putting government forces in the middle of territory claimed by the Zapatistas. *Ted Bardack, Mexico City*

Collor's brother dies

Mr Pedro Collor de Mello, whose revelations of top-level corruption in Brazil led to the toppling of his brother, former president Fernando Collor, in 1992, died yesterday in New York.

Mr Pedro Collor, who was 62, was declared brain dead on Saturday after suffering from brain cancer and was being maintained on a life-support machine. In an interview in May 1992, Mr Pedro Collor said his younger brother had amassed a fortune through a multi-million-dollar influence peddling scheme and that he had used cocaine. Faced with an impeachment trial and huge street demonstrations across Brazil, Mr Fernando Collor resigned in December 1992 and was subsequently banned from politics for eight years. Last week a Brazilian court threw out criminal charges of bribe-taking against Mr Fernando Collor. *Reuter, Rio de Janeiro*

ANC officials deny racism

African National Congress officials have reaffirmed the party's commitment to non-racism and denied reports that delegates to its national conference are calling for the party to pursue an agenda which gives priority to black needs. Mr Mac Maharaj, transport minister, and other senior members of a commission deciding the party's strategy and tactics, said speculation that the ANC would end its reconciliatory policy towards whites and devote itself to blacks was unfounded.

The 11 commissions formalising party policy on issues ranging from next year's local government elections to foreign affairs will present their findings to the party's national conference when election results for the party's six top posts will also be announced. President Nelson Mandela and deputy president Thabo Mbeki are almost certain to be elected to the presidency and deputy presidency of the party respectively. *Editorial comment, Page 15. Mark Szeman, Bloomberg*

CONTRACTS AND VENTURES

■ Singapore Airlines, which announced plans in June to buy up to 30 Airbus aircraft, has now signed a contract to buy 10 A340-300 aircraft with an option for 20 more. The \$5.6bn contract was in addition to an existing firm order for seven A340s. *Reuter, Paris*

■ US oil company Atlantic Richfield (Arco) signed a contract with the China National Offshore Oil Corp (CNOOC) to explore for oil and gas off China's southern Hainan island. The contract was Arco's sixth with CNOOC. The deal was CNOOC's 100th with a foreign company. *Reuter, Beijing*

■ Pirelli, the Italian tyre and cables manufacturer, yesterday launched its first manufacturing site in the Far East. The joint venture with a subsidiary of Gajah Tunggal, a diversified Indonesian group, will produce and sell energy and telecommunications cables and systems in Indonesia. Gajah Tunggal will be owned by Pirelli Cables and the other half by PT Kabelmetal Indonesia, Gajah Tunggal's subsidiary, which will together invest some \$70m in the first years of the venture. The venture company will make and sell fibre-optic cables and systems for the telecom market. *Andrew Hill, Milan*

■ Siemens Automation, part of the German electrical and electronics group, has established its second joint venture in China. Siemens Industrial Automation Shanghai will distribute and engineer programmable logic controllers (PLCs), which are used in factory automation. Siemens' partner is Shanghai Automation Instrumentation, which will have a 40 per cent stake. In future, says Siemens, its Simatic controllers will also be produced in Shanghai. *Andrew Baxter, London*

■ Electrical engineering group ABB Asea Brown Boveri has won an order from the Berlin public transport authority, Berliner Verkehrsbetriebe, for 25 four-car underground trains. An ABB statement said the order value was for more than \$100m. *Reuter, Zurich*

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

UNITED STATES						JAPAN						GERMANY					
Year	Narrow Money (%)	Broad Money (%)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Year	Narrow Money (%)	Broad Money (%)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Year	Narrow Money (%)	Broad Money (%)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.	5.0	9.3	6.62	6.51	n.a.	4.4	5.1	5.45	6.94	5.64	7.16	1.78
1986	13.5	8.3	6.49	7.67	3.43	8.9	8.2	5.12	5.35	0.84	9.9	6.7	4.56	4.52	5.27	1.78	4.26
1987	11.6	6.5	6.82	8.39	3.12	10.5	11.5	4.15	4.84	0.55	9.0	7.3	4.03	6.14	2.67	1.78	4.26
1988	4.2	5.2	7.85	8.84	3.51	8.4	10.2	4.43	4.77	0.54	9.8	6.4	4.34	6.46	2.81	1.78	4.26
1989	1.0	3.9	8.99	9.49	3.43	4.1	10.6	5.21	5.22	0.46	6.3	5.7	4.11	6.94	2.82	1.78	4.26
1990	3.7	5.3	8.06	8.54	3.60	2.6	8.5	7.82	6.91	0.55	4.5	4.5	6.49	8.71	2.41	1.78	4.26
1991	5.9	3.3	5.67	7.86	3.21	5.2	2.0	7.21	6.37	0.75	5.1	5.8	6.25	8.44	2.34	1.78	4.26
1992	12.4	2.4	3.75	7.00	2.85	4.5	-0.4	4.26	5.25	1.00	7.0	8.2	6.52	7.77	2.45	1.78	4.26
1993	11.8	1.1	3.22	5.88	2.78	3.0	1.4	2.83	4.18	0.87	6.4	7.9	7.28	6.44	2.45	1.78	4.26
4th qtr:1993	10.5	1.4	3.34	5.59	2.73	3.5	1.4	2.14	3.57	0.84	5.6	7.5	6.34	5.83	1.78	4.26	4.26
1st qtr:1994	9.8	2.2	3.52	6.06	2.75	4.7	1.9	2.05	3.68	0.82	11.1	11.6	5.88	5.93	1.78	4.26	4.26
2nd qtr:1994	7.5	2.2	4.04	6.77	2.93	5.2	1.5	2.07	4.05	0.76	11.4	10.5	5.28	5.71	1.78	4.26	4.26
3rd qtr:1994	6.1	1.7	4.57	7.31	2.87	6.2	2.3	2.13	4.46	0.74	9.6	8.4	5.01	5.71	1.78	4.26	4.26
December 1993	10.1	1.7	3.85	5.74	2.74	3.4	1.4	1.90	3.25	0.89	8.1	6.8	6.11	5.71	1.78	4.26	4.26
January 1994	9.7	2.0	3.20	5.71	2.72	4.2	1.6	1.96	3.34	0.86	11.8	11.4	5.90	5.87	1.78	4.26	4.26
February	10.0	2.2	3.46	5.97	2.74	4.8	1.5	2.03	3.60	0.80	11.0	11.9	5.91	5.87	1.78	4.26	4.26
March	9.2	2.5	3.84	6.47	2.80	5.2	1.9	2.13	4.08	0.79	10.5	11.4	5.84	5.87	1.78	4.26	4.26
April	9.0	2.7	4.05	6.94	2.91	5.9	2.2	2.13	4.03	0.80	11.6	10.8	5.61	5.83	1.78	4.26	4.26
May	7.0	2.1	4.54	7.17	2.91	5.0	1.7	2.08	3.90	0.78	11.2	10.7	5.20	5.83	1.78	4.26	4.26
June	6.5	1.7	4.57	7.09	2.89	4.7	1.5	2.01	4.24	0.72	11.3	10.0	5.07	5.65	1.78	4.26	4.26
July	6.1	2.0	4.75	7.28	2.91	5.7	2.0	2.02	4.32	0.73	9.7	9.0	4.87	5.80	1.78	4.26	4.26
August	4.2	1.5	4.84	7.22	2.84	6.0	1.9	2.12	4.52	0.73	10.1	8.1	5.00	7.10	1.78	4.26	4.26
September	4.1	1.7	5.01	7.44	2.85	6.9	2.3	2.21	4.50	0.77	9.0	8.3	5.07	7.10	1.78	4.26	4.26
October	3.2	1.3	5.49	7.72	2.87	6.0	2.4	2.20	4.63	0.76	8.8	7.4	5.22	7.54	1.78	4.26	4.26
November	2.3	1.0	5.81	7.94	2.91	6.1	2.6	2.24	4.83	0.76	8.8	7.4	5.22	7.54	1.78	4.26	4.26
FRANCE						ITALY						UNITED KINGDOM					
Year	Narrow Money (%)	Broad Money (%)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Year	Narrow Money (%)	Broad Money (%)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Year	Narrow Money (%)	Broad Money (%)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	6.2	11.0	10.03	11.74	n.a.	13.2	13.5	14.54	13.71	n.a.	4.7	15.1	12.32	11.03	11.5	1.78	4.26
1986	6.9	2.7	7.79	8.74	2.65	10.5	8.2	10.25	11.47	1.41	4.0	15.4	11.02	9.97	4.26	1.78	4.26
1987	4.1	11.8	8.26	9.46	2.75	10.4	9.8	11.22	10.59	1.94	4.7	15.2	9.77	8.82	3.85	1.78	4.26
1988	3.9	8.3	7.94	9.08	3.08	7.8	8.9	11.24	10.54	2.71	6.8	17.3	10.41	9.88	4.48	1.78	4.26
1989	7.5	10.0	9.38	9.70	3.19	7.1	8.2	12.41	11.81	2.48	5.9	17.8	13.96	10.30	4.35	1.78	4.26
1990	3.8	9.4	10.32	9.82	3.19	9.3	9.1	11.88	11.87	2.34	5.3	19.1	14.82	11.53	4.07	1.78	4.26
1991	-4.8	2.3	9.62	9.03	3.58	7.3	8.0	11.83	13.20	3.45	2.4	19.1	11.58	10.04	4.37	1.78	4.26
1992	-4.2	5.2	10.36	9.57	3.25	6.7	7.6	13.86	13.29	3.63	2.4	5.1	9.70	9.08	2.91	1.78	4.26
1993	1.4	-2.9	8.52	6.62	3.21	4.8	7.1	10.22	11.23	2.95	4.8	3.5	5.98	7.40	4.01	1.78	4.26
4th qtr:1993	1.4	-2.9	6.74	5.92	3.01	7.4	8.1	8.89	9.10	2.02	5.5	4.3	5.61	6.81	3.78	1.78	4.26
1st qtr:1994	2.3	-5.0	6.29	5.99	2.85	7.9	7.8	8.42	8.89	1.80	5.4	5.3	6.31	6.78	3.57	1.78	4.26
2nd qtr:1994	1.8	-4.2	5.73	7.03	2.97	6.2	7.4	7.98	8.64	1.54	6.8	5.3	5.23	6.12	4.00	1.78	4.26
3rd qtr:1994	4.0	-0.5	5.62	7.95	3.05	6.3	5.1	6.68	11.42	1.58	6.7	4.7	5.55	6.57	4.03	1.78	4.26
December 1993	1.4	-2.9	6.52	5.70	2.94	7.8	8.0	8.72	8.84	1.87	6.0	4.8	5.40	6.28	3.61	1.78	4.26
January 1994	2.2	-4.1	6.31	5.68	2.82	6.4	7.1	8.44	8.69	1.88	6.1	5.0	5.44	6.22	3.48	1.78	4.26
February	3.0	-4.7	6.30	5.93	2.91	7.8	7.6	8.37	8.78	1.7	6.4	5.3	5.27	6.01	3.46	1.78	4.26
March	2.8	-5.0	6.25	6.37	2.90	9.9	8.8	8.43	8.66	1.77	6.4	5.3	5.27	6.22	3.46	1.78	4.26
April	2.8	-4.1	6.01	6.65	2.89	10.4	8.4	8.11	8.07	1.58	6.0	5.4	5.22	6.37	3.87	1.78	4.26
May	1.2	-4.7	5.84	6.94	2.89	9.4	7.4	7.80	8.28	1.49	5.9	5.4	5.22	6.37	3.87	1.78	4.26
June	1.8	-4.2	5.57	7.48	3.14	7.7	6.4	8.03	10.46	1.57	6.9	5.1	5.22	6.15	3.96	1.78	4.26
July	4.6	-1.9	5.65	7.36	3.09	8.3	6.6	8.43	10.70	1.57	6.8	5.4	5.18	5.34	4.19	1.78	4.26
August	3.5	-1.2	5.52	7.81	2.95	5.8	4.9	8.93	11.49	1.58	6.3	4.7	5.22	5.38	4.19	1.78	4.26
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October	4.0	-0.5	5.63	8.08	3.10	4.3	2.8	8.78	12.04	1.71	7.3	3.9	5.08	5.71	4.14	1.78	4.26
November	5.61	8.13	3.08			6.98	5.88	12.04	1.71		7.1	3.3	4.83	6.71	4.14	1.78	4.26



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## NEWS: UK

## Heathrow demands extra terminal

By Jimmy Burns

Failure to develop Heathrow would drive business overseas and undermine the UK aviation industry, BAA, the airport's operator, warned yesterday as it unveiled its long awaited economic and environmental case for a fifth terminal at London's main international airport.

Publication of its case is the opening shot in what is likely to be a fiercely fought planning battle - a public inquiry is to begin next May.

BAA's case is supported by the Board of Airline Representatives, which speaks for nearly all domestic and for-

ign airlines using British airports, and is opposed by municipal authorities and environmental groups.

The central premise of BAA's case is that existing capacity in south-east England, the economic hub of the UK, will be incapable of meeting forecast passenger demand by 2002.

Sir John Egan, BAA chief executive, said: "Without a significant increase in capacity where it is most needed we will fail to meet demand. For the sake of the UK economy and the UK aviation industry we must provide more capacity in the south-east."

BAA said Heathrow remained "the

first choice of airlines and passengers." It had unrivalled international connections, and the international trend was towards greater centralisation based on major hub airports. BAA claims that only expansion at Heathrow will prevent additional business going to rival European airports.

It argues that Terminal 5 would allow Heathrow's existing runways to handle 30m passengers more a year, and would be a suitable alternative until about 2015 to the creation of an additional runway.

BAA, together with British Airways, have been anxious to avoid the row

over the proposed new runway at Heathrow undermining the proposed development of Terminal 5, so it would prefer a decision on the new runway to be deferred.

Yesterday Mr Des Wilson, BAA's public affairs director, released the results of an opinion poll suggesting that local residents were less opposed to the runway than had previously been thought.

But Mr Dennis Cox of the Heathrow Association for the Control of Airport Noise said BAA's proposals would mean a "massive increase in flights and pollution, while safety standards will be under immense pressure."

## MPs say EU aid for steel is 'shambles'

The government should "review its position" on state aid for the steel industry if other European Union producers continue to receive state subsidies, the House of Commons trade and industry committee said yesterday.

Mr Richard Caborn, an MP with the opposition Labour party who chairs the committee, said: "The system of state aids to European steel producers is a shambles, and it is British steel producers who are paying the price."

The MPs said their inquiry was prompted by "growing concern over the ability of the European Commission to control this situation".

The report pointed to the failure of an EU restructuring plan which had aimed to cut European steel capacity by up to 25 million tonnes.

Many blamed an EU industry council decision a year ago to allow state aids for six struggling companies in Italy, Germany, Spain and Portugal in return for a capacity reduction of 5.5m tonnes.

There are doubts as to whether the cuts offered have been made in productive capacity, as well as concern about the amount of aid granted," said the report.

It added: "Unsubsidised producers such as British Steel and the smaller companies in the UK have been left facing competition from subsidised companies which have little incentive to respond to market forces and cut production."

The payments made to the six companies were legal under the Treaty of Paris, which governs the EU steel industry. "But in some cases it appears that the conditions attached to the grants have not been met."

The MPs said the Commission did not have enough power to punish member states for breaking subsidy rules and warned that failure to restructure the industry had left long-term problems.

Mr Caborn urged the UK government to "force" the EU council of industry ministers to "shut out illegal subsidies."

British Steel in US, Page 17

## Silver lady glides into partner's arms

John Griffiths on pressures which drove Rolls-Royce into an engines deal with BMW



The engine supply and collaborative engineering agreement announced yesterday by Rolls-Royce Motor Cars and BMW of Germany should at least make R-R's long-term task easier without, as yet, compromising its relative independence. The deal marks one of the biggest changes in the 90-year history of one of the most illustrious car marques, famous for its severe radiator grille topped by a "silver lady" statuette.

It lifts from Rolls-Royce, a subsidiary of the Vickers industrial group, one of the heaviest financial burdens facing any small-scale vehicle manufacturer - to design, develop and manufacture complex engines and meet a maze of ever stricter legislation on exhaust emissions, fuel economy and other technical standards.

Rolls-Royce's own engines, with their roots in the 1930s, can meet emissions standards to the end of this century. Yesterday's deal, reached after months of negotiations with BMW and possible alternative supplier Mercedes-Benz, goes much further.

The V8 and V12 engines which BMW already produces for its own vehicles will be jointly re-engineered for the Rolls-Royce and Bentley ranges.

What the deal will apparently not do is to launch immediately the familiar process of a small British carmaker with a big reputation being absorbed into a much larger foreign one. There is no provision for BMW either to buy Rolls-Royce or to take an equity stake. Sir Colin Chandler, chief executive of Vickers, said yesterday that neither was in prospect "for the foreseeable future".

Ogihara, the Japanese manufacturer of pressed steel components for the motor industry, is moving into the European market in a joint venture with Marubeni, the trading corporation, through the purchase of a plant at Telford, Shropshire, Paul Cheeseright writes.

The Japanese companies said in Tokyo yesterday they were paying £5.0m (\$31.42m) for the plant and would take it over on January 1. Had they not done so, the plant, which employs 86, would have closed. The factory is owned by Venture Pressings, a joint venture of Jaguar Cars and GKN. It opened in 1990, using

reconditioned equipment to make body panels for Jaguar. But when Jaguar was acquired by Ford, it obtained access to other sources of panels, reducing its need for Telford.

Ogihara has been considering starting a presence in Europe for some years. Its first approach to the Telford authorities came in August 1992. A supplier to major motor manufacturers in Japan, it already has plants in Michigan, Taiwan and Thailand with an office in Beijing.

Ogihara will own 51 per cent of its joint venture with Marubeni. The plant will continue to supply Jaguar with limited quantities of body panels.

Flexibly team working, heavy investment in automated machining processes and other productivity measures had reduced the break-even to below 1,300 at the start of this year, according to Mr Peter Ward, Rolls' chairman and chief executive.

Rolls-Royce is believed to be on course to make pre-tax profits of around £12m (\$19.7m) this year despite worldwide sales up only 2.2 per cent at 1,051 in the first three quarters.



1904 Henry Royce (1863-1933) founded R.M. Royce and Co, crane manufacturer, in Manchester.  
1904 First meeting of Royce and Charles Rolls (1877-1910), UK distributor of French cars.  
1908 Rolls-Royce Ltd registered as manufacturer of "all-British" motor cars.  
1910 Rolls becomes first Englishman to fly to France in killed in flying accident.  
1914 Rolls-Royce starts making aero-engines.  
1918 Rolls-Royce of America founded.  
1928 Phantom II launched as "best car in the world".  
1930 Bentley Motors goes into liquidation and is bought by R-R.  
1930 R-R starts making Merlin engines, used in World War Two to power Spitfires and Mustang fighters.  
1935 R-R launches Silver Cloud.  
1939 Launch of 675cc V8 engine on which present R-R car engines are based.  
1995 Controversy as Silver Shadow (above) launched with monocoque construction and smaller radiator grille.  
1971 R-R goes into receivership after difficulties in developing R201 engine for Lockheed TriStar; R-R nationalised by Tory government and controversy about rescuing "lame ducks".  
1973 Cars chosen by Royal Warrant.  
1980 R-R Motor Cars acquired by industrial group Vickers.  
1987 Rolls-Royce, manufacturer of aero-engines and industrial plant, purchased.  
1990 R-R begins programme of cuts that will cut workforce by 2,000 by 1995.  
1994 Production of Corniche car ends after 23 years.

Lex, Page 16

## Nadir suffers hotel setback in Cyprus

By John Barham in Ankara and Jim Kelly in London

The administrators of Polly Peck International, the failed empire of fugitive businessman Asil Nadir, yesterday moved closer to gaining control of assets in northern Cyprus.

A cheque for nearly \$100,000 was paid by a representative of Voyager Kibris Ltd to the government of the breakaway republic for unpaid rent on the Jasmine Court Hotel.

Voyager is a subsidiary of PPI and the payment, which was acknowledged by the government, represents a blow to Mr Nadir's plans to gain control of the hotel.

Mr Bill Clegg, representing shareholders in Voyager, handed over a cheque for \$97,215 to pay off a year's unpaid rent on the government-owned luxury hotel in

Kyrenia. Mr Nadir, who fled to north Cyprus last year after jumping \$3.5m bail in the UK, ran the Jasmine Court in defiance of demands by the administrators to surrender control.

The administrators believe that the payment, and the return of a valid receipt for the transaction, represents recognition by the breakaway republic's government of Voyager's claims to control the business.

Mr Chris Barlow, a partner in Coopers & Lybrand and lead administrator, said that there were also plans to meet the government today to discuss payment of the Jasmine Court's tax debts.

He added that a reported deal between Mr Nadir and the government, in which the fugitive businessman offered to hand over a fruit packaging business in lieu of debts, was now defunct.

## Competition on railways delayed

Competition is to be restricted on the privatised railway network for at least seven years to prevent a free-for-all which would damage the interests of travellers and the rail companies, our Transport Correspondent writes.

Mr John Swift, the rail regulator, yesterday announced plans for tight controls on new entrants to the railway business until March 1999 and continuing "substantial restrictions" for at least a further three years.

Unbridled competition on the railways from companies which bid to run individual lines or services could damage the interests of the franchisees who acquire the right to run entire regional networks.

Mr Swift gave the reasons for his decision in the latest of a series of policy documents

which set a regulatory framework for the railway. Passenger train services in the state network are to be franchised to 25 private operators over the next two to three years.

The government had originally intended to allow "open access" operators to bid for particular routes or services in order to increase competition with the franchisees. But protests from would-be bidders for

a franchise have prompted a rethink.

"The railway industry is still at an early stage of a period of fundamental restructuring," Mr Swift said. "I do not believe it would be wise to expose train operators or passengers to the risks of experimenting with uncontrolled competition. The introduction of competition needs to take place on a gradual basis."

## Many roadbuilding projects face axe

The government is to review more than two-thirds of its roadbuilding programme following the publication yesterday of a report which found that new roads could lead to increases in traffic, our Transport Correspondent writes.

Dr Brian Mawhinney, transport secretary, said 270 road schemes now at planning stage would undergo extra assess-

ment to judge their impact on traffic levels.

He also said future road spending would concentrate on improving the existing network. Seven big projects would be dropped from the government's current programme of about 360 road schemes.

The report, drawn up by the Standing Advisory Committee on Trunk Road Assessment, a

group of independent experts, says the current methods of assessing road schemes could lead to an exaggerated view of their benefits.

The committee's findings could lead to the most fundamental review of the methods of assessing road schemes since the early 1970s.

The report concludes that present government methods

for assessing road schemes underestimate the impact of "induced traffic," journeys which are made only because the building or improvement of a road makes them feasible or more convenient.

Environmental groups welcomed the report because it confirmed their view that building roads encourages more people to drive.

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## NEWS: UK

## Bomb may stall Irish peace

By John Murray Brown  
in Belfast

The Northern Ireland peace process appeared to be in danger of stalling yesterday, with republicans being criticised after the discovery of a bomb in Fermanagh the first incident since the IRA ceasefire three months ago.

An explosive device containing 2lb of semtex explosive was discovered in a furniture store in Enniskillen, after an anonymous call to the local police.

The Irish Republican Army (IRA), in a short statement yesterday, denied responsibility for planting the bomb.

However the find overshadowed the second session of

exploratory talks between British officials and Sinn Féin, the IRA's political wing, and will underscore British demands to see the issue of the decommissioning of arms and explosives resolved before Sinn Féin is invited to engage in full political talks with the government and the other constitutional parties.

The issue is likely to high on the agenda at today's meeting between Mr John Major the UK prime minister and Mr John Bruton, the new Irish premier.

A spokesman for Mr Major said: "It makes clear why it is so important to deal with the problem of weapons and explo-

sives... There can be no question of political representatives of paramilitary organisations entering into the peace negotiations process until their commitment to peaceful methods has been demonstrated."

The find is the first evidence of the use of semtex since the IRA ceasefire at the beginning of September. The IRA is the only paramilitary organisation known to possess semtex.

Mr Michael Ancram, a UK Northern Ireland minister, expressed disappointment that Sinn Féin declined to condemn the action. He said Sinn Féin has requested a further meeting in mid-January.

Mr Martin McGuinness, a

senior Sinn Féin official, refused to condemn the action, saying "it was an incident of no great significance, and it certainly won't affect the peace process."

Speaking in Dublin before leaving for today's talks in London, Mr Bruton said he was "saddened" by the incident, but he stressed there were "certain unusual aspects".

Mr Bruton had insisted that weapons had to be handed over. But after his appointment as prime minister last week, he has said the issue should be dealt with "sensitively".

Trust must be won, Page 15

## OECD expects two more years of steady growth

By Gillian Tett,  
Economics Staff

Britain is heading for at least two more years of steady economic growth, the Organisation for Economic Co-operation and Development predicted yesterday.

The Paris-based body, which represents 25 leading industrial nations, also says the present economic upturn should be healthier than previous recoveries. Inflation will remain relatively low even though unemployment will fall significantly, it adds in its latest half yearly outlook.

But the OECD urges the British government to raise interest rates again and predicts that bank base rates will rise from their current 6.25 per cent to 7 per cent next year and 7.5 per cent at the start of 1996.

"The current recovery differs from previous upturns in several respects," the OECD states. "Controlling inflation may be possible with lower interest rate rises than in the past as monetary and fiscal policies have been tightened much earlier in the cycle."

One factor that may help to

keep inflation down, the OECD suggests, is the relatively high level of spare capacity believed to exist in the UK economy.

In spite of mounting concern among City of London economists that the recent strong growth could be overheating the economy, the OECD says the UK has more spare capacity than any of the leading seven industrialised nations. It calculates that the UK output gap, which represents the difference between the potential and actual growth, is 4 per cent.

## UK NEWS DIGEST

## Coca-Cola sees market share fall below 50%

Coca-Cola's share of the \$570m (\$1.1m) UK cola market has fallen below 50 per cent for the first time, say figures from Taylor Nelson AGB, the market research group. The figures - derived from AGB's panel of 8,500 consumers whose grocery purchases are monitored electronically - show that Coca-Cola's market share fell from 54.6 per cent in October to 42.2 per cent in the last week of November.

That was shortly after the arrival of new colas from Mr Richard Branson's Virgin group and supermarket chain Sainsbury, and six months after Classic Cola was launched by J. Sainsbury, the UK's biggest food retailer.

AGB's figures highlight the threat posed to Coca-Cola, which has dominated the market since its UK launch in 1921, by this year's new products - all of which are manufactured by Cott, the Canadian soft drinks group. Coca-Cola has begun a \$2m advertising campaign attacking own-label and copycat brands.

## Shake-up for gains tax

Reform of taxes on gains and losses in foreign exchange was announced yesterday. New laws allowing British businesses to operate on a similar basis to competitors in other countries will operate from March 23 next year. Pressure for reform has built up over 20 years, and the government published draft proposals in 1989. It considers that the new rules will help preserve London's status as a financial centre.

The new system taxes gains and losses on monetary assets such as cash and bank deposits, and on liabilities when they accrue - in line with commercial accounting rules. The changes will affect mainly UK companies that take out finance in other countries' currencies and those with assets held in currencies which are subject to significant exchange rate fluctuations.

The rules will permit them for the first time to offset losses on exchange fluctuations against tax. Previously they have been taxed on any exchange gains without being allowed to take any corresponding allowances for losses.

## Navy deal for GEC-Marconi

A \$60m contract for Royal Navy submarine torpedoes was won by GEC-Marconi Naval Systems yesterday. Mr Roger Freeman, defence procurement minister, said the deal for Spearfish torpedoes would create 40 jobs at the company's plant at Watlington, Oxford, and safeguard jobs in other companies: 80 per cent of the manufacturing and processing work will be sub-contracted.

## Christie's ahead of Sotheby's

For the first time in almost 40 years Christie's has edged ahead of Sotheby's as the world's leading fine art auction house. In the autumn season Christie's recorded a 10 per cent rise in turnover from \$357m to \$393m (\$625m). Sotheby's sales fell from \$428m a year ago to \$370m.

Over the year as a whole Sotheby's is slightly ahead, with a turnover of \$662m compared with \$618m at Christie's. But while Christie's gained 12 per cent in sterling terms in 1994, Sotheby's sales only managed to hold steady in dollars and fell back in sterling.

Christie's was helped by two extraordinary sales: the Leonardo manuscript known as the Codex Hammer which scored past its September sale \$36.5m (\$58.5m) in November, the highest price paid for any object at auction since 1990, and the \$21.3m realised in London by Lord Chichester's sale of furniture and works of art from Boughton Hall in Norfolk.

Sotheby's sales were 8 per cent up in the UK and 30 per cent higher in Asia, which is regarded as the market with the greatest potential. Most sectors of the art world showed higher turnovers. The area which fuelled the boom of the late 1980s, Impressionist and Modern art, however, remains convalescent.

## Commercial Union arm fined

Financial services regulators have handed out a fine of £105,000 (\$172,200) to the life insurance subsidiary of Commercial Union, one of the UK's largest composite insurers, for charges relating to the quality of one of its representative companies.

Compensation totalling £185,000 has already been paid to 58 investors by CU Life Assurance, and the subsidiary has undertaken that other investors who would otherwise suffer will also be compensated. It will also pay the regulator's costs of £25,000.

The problems relate to the activities of an appointed representative - a company "fled" to a life insurer and selling its products only - where CU ended the relationship over two years ago.

The penalty was imposed by Lauro, the self-regulating organisation for the life insurance industry which has been superseded by the Personal Investment Authority, which acts as general regulator for retail financial services.

## Holiday price war may start

Lunn Poly, the UK travel company, yesterday cut the price of summer 1995 holidays by 12 per cent in a move which may start an early price war.

Last summer, Lunn Poly and rival company Going Places indulged in a price war which saw discounts of up to 15 per cent to attract early customers for 1995 summer holidays. Other travel companies also offered big savings. But the move was only partially successful and the travel industry is now determined to make the most of the traditionally heavy post-Christmas booking period.

## Lifer goes Christmas shopping

MPs yesterday attacked yesterday attacked a decision to allow a woman who has served three years of a life sentence for murder to spend a day shopping in the northern England city of Leeds. A taxi took the 21-year-old woman, who was sentenced for killing her great aunt with an axe, to Leeds at a cost of £100. Mr Timothy Kirkhope, Conservative MP for Leeds North East, said: "A lot of law-abiding people cannot afford to go on shopping sprees, but who's going to pay their fares?"

## Angry passengers attack Cunard

By Neil Buckley

An angry passenger on board the liner Queen Elizabeth 2 in mid-Atlantic said yesterday that the liner should "never have set sail" with work still incomplete on a \$20m refit. The comment came as ticketholders left behind by the liner besieged its owner Cunard, demanding compensation.

Cunard at first closed its doors to angry passengers outside its London headquarters, but said later it was making

"tailor-made" compensation arrangements with the 500 passengers who were unable to leave with the QE2 from Southampton on Saturday because refitting work was still in progress on 100 cabins.

The compensation is believed to be based on Cunard's original offer of a full refund by Christmas, with a free transatlantic cruise next year and spending money of £250 (\$410).

However, some ticketholders said they still planned to take

legal action against Cunard, and passengers on board the liner said Cunard was likely to receive many compensation claims even from those who had travelled.

"Why the hell they ever put to sea with the ship in the state it was in on Saturday I just don't know," said one passenger who asked not to be named. "Some passengers have got cabins without running water and with slugs that are blocked. They are having a pretty torrid time," he added.

Since leaving Southampton the ship has hit force 10 gales, adding seasickness to the misery of passengers travelling in a ship which one contractor on board described as "worse than a building site".

About 190 passengers volunteered to accept compensation instead, but 80 boarded knowing the cabins were not ready. Cunard was yesterday refusing to explain why the work had not been completed on time, or why it had informed passengers so late.



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TELECOMMUNICATIONS  
IN ITALY AND THE WORLD



## TECHNOLOGY

James Buxton reports on how a Scottish disc drive maker plans to conquer the world market

## Calluna's future on the cards

In a pressurised cleanroom inside the Scottish plant of the electronics company Calluna, men and women wearing pale blue suits and white masks which leave only their eyes showing are assembling delicate miniature hard disc drives. They look like astronauts inside a space station.

Their goal is to make Calluna a world leader in the market for 1.8in hard disc drives, products that cover no more than the area of a credit card.

Calluna was formed in late 1991. After three traumatic years surviving on a tiny amount of capital, it raised £10m on the London Unlisted Securities Market in late October. It now has a market capitalisation of £50m and the resources to expand.

Calluna's 1.8in disc drives, which it calls Callunacards, stand only 10.5mm high. They can be installed as an embedded component of a notebook computer, but more importantly they also come in a portable version that can be inserted in and removed from any PC that has an expansion slot conforming to the standard set by the Personal Computer Memory Card International Association (PCMCIA).

PCMCIA slots, now being installed in many new notebook PCs, are widely seen as the gateway to a new method of moving data between PCs - transferring an entire credit card-sized disc drive which would either be the PC's main drive or a supplementary one.

The new 1.8in drives have very high storage capacity for their size - Callunacards, for example, range from 70MB to the recently launched 260MB product, the biggest in its category. But they need it: hard disc drives are becoming bigger as software companies produce programs that are ever hungrier for storage space (Microsoft's Windows Office needs about 82MB for the program alone).

Norman White, Calluna's founder and managing director, envisages that one day travelling PC users will carry only their 1.8in disc drives with them, slotting them into a host PC when they need to work on their data. "This is the floppy disc of the future," he says. "The personal element in personal computing will become the portable disc drive."

There are also openings for Calluna's products for non-computer use. A company in Spain is developing a "speech integrator" using the Callunacard from which visitors to museums and tourist attractions will hear commentaries in different languages. The miniature drives can also be used to store and transport the



Small beginnings: Calluna aims to develop a miniature 500MB drive by 1997 and later progress to 1,000MB

recordings of security video cameras.

White was a founder and technical director of Rodime, the Scottish disc drive company which in 1983 produced the world's first 3.5-in hard disc drive. But Rodime made a series of strategic blunders and

ceased manufacturing in 1991. It now lives by licensing its past know-how.

All Calluna's senior executives worked for Rodime, making the new company Rodime's technological heir. "These people have been around the business for a long time," says Bob

Katsive of Disc/Trend, the San Francisco-based market research company.

The team has succeeded in building up Calluna and developing innovative products despite having raised only £5m in venture capital, plus grants, before the flotation - money

was so short at times that the 40 staff had to take salary cuts. Calluna's disc drive components are made and tested to its specifications by suppliers in East Asia, England and California. They are then assembled in Calluna's plant at Glenrothes in Fife.

It has established relationships with computer manufacturers in the US and Europe which have confirmed the compatibility of its products. In Europe it has a network of specialist distributors, while in the US a company rebadges Calluna's products for sale under its own label.

So far Calluna's biggest orders have been for two consignments of 2,500 units each for distributors in the US and the UK. The order book is growing, though the 25,000 sq ft plant is tooled up to produce 50,000 drives a year and could ultimately be expanded to make 450,000 annually.

Despite its technological prowess Calluna faces awesome challenges, as the two pages of risk factors listed in its flotation prospectus attest. Its strategy has three elements. First, White says, it needs always to be at the leading edge of disc drive technology.

As a small company it cannot compete with larger disc drive makers on price in high volume manufacturing. Instead it must use its engineering expertise continually to incorporate more storage capacity on to its drives. White envisages Calluna developing a miniature 500MB drive by 1997 and later progressing to 1,000MB.

Second, however, it still needs to develop a good level of business with original equipment manufacturers in the PC industry making less powerful drives, even though margins here are not very attractive. It could later license or subcontract this part of its output.

Producing in some volume will enable Calluna to buy components more cheaply to develop the third leg of its business, the higher margin business of making removable

PCMCIA drives which could be sold by dealers direct to the consumer.

However the market for 1.8in drives is still in its infancy. Disc/Trend forecasts that as more notebook PCs are manufactured with PCMCIA slots, the number of PCMCIA disc drives shipped worldwide will rise from 350,000 this year to more than 4.3m in 1997.

But this forecast and others by Dataquest have yet to be confirmed by reality and White says the market for removable drives is still moving forward slowly, though that for embedded drives is growing faster.

Only three competitors, the US companies Maxtor, a long-established disc drive maker, and two recent start-ups, Integral and MiniStar, have products in the same category as Calluna. However, Katsive believes bigger manufacturers such as Seagate, Conner, NEC and Hitachi which had earlier dabbled in the 1.8in drive market will return to the market as demand improves, possibly late next year.

Katsive says survival for independents like Calluna depends on staying ahead of the giants. "It will have to be fleet of foot," he says.

## Aluminium can makers think small

Kenneth Gooding on moves to reduce manufacturing costs

Kaiser Aluminium, part of the Maxxam Group of the US, says it has developed a "micro mill" process that could substantially reduce capital and operating costs for producing can sheet, an aluminium alloy from which beverage cans are made.

Kaiser says the capital cost would be \$25m (£15.2m) to \$30m for a micro mill with an annual capacity of 30,000 tonnes. It also claims that the cost of converting metal into sheet is only half that of a conventional mill.

"This size of mill would be ideal in developing can markets," says Dick Evans, Kaiser's corporate vice-president, flat rolled products. "It could provide stock for two can-making plants which could be close by. It would be easier to raise the capital and it would avoid the heavy cost of transporting can stock from the US, Japan or Europe."

Can sheet, or can stock, is produced mainly in large plants costing from \$500m to \$1bn and equipped to produce 250,000 to 500,000 tonnes of can sheet a year. Separately, Golden Aluminium, which makes cans for Adolph Coors brewing group of the US, has tried in the past two years to convince the industry that "mini mills", which produce the material on a small scale, will work. Mini mills need less capital and therefore do not have to produce such large quantities of can sheet to be viable. Golden's new mill at San Antonio, Texas, has the capacity to produce an annual 90,000 tonnes of can stock and the capital cost was \$168m.

To achieve cost savings, both Golden and Kaiser have moved to a different method of producing can sheet. The most expensive part of the conventional process is hot rolling, which rolls the metal

until it is the required thickness. Each hot mill costs \$15m to \$25m. To eliminate the need for the big aluminium slabs and hot rolling, Golden and Kaiser employ continuous casting techniques. This involves molten metal, adjusted to the right composition, being poured into a holding box with a chilled mould down one side. Metal is poured continuously into the mould, as it is propelled along by a moving belt to produce a thin slab already the width needed by the cold mill and only 3mm thick. The metal flows on to cold rolling where mills are placed in tandem (three or four in a line) to save space.

The metal is rolled through these mills instead of moving backwards and forwards in a reversing mill in the conventional process.

There are drawbacks, however. Only certain alloys are suitable for continuous casting. Also, some competitors have raised questions about the surface finish - soft drinks companies require a sparkling surface to the cans they use. There are questions, too, about the Golden Aluminium process.

Golden claimed great things during construction of its mill but the start-up has been costly and long. So many observers are sceptical," says Nick Mason at the CRU International consultancy.

Golden admits start-up costs so far at its San Antonio mill are \$35.8m. However, it is producing 7bn cans a year and has an outside customer in Reynolds Metals, the second-largest US aluminium group. Golden says the project needs only one more customer to become viable.

Kaiser says it will have spent \$20m on its micro mill project by the middle of 1995. By late 1995 it hopes to have started on a micro mill in the US.

## A good deal for the unions

Unison, Britain's biggest trade union, has developed a software system that will help union negotiators deal with decentralised bargaining across the public services.

By using a mixture of electronic communications and databases, negotiators can now receive support and data wherever they are working.

The union spent £300,000 this year on developing a software package, Local Negotiator, which it is offering to its 2,500 branches. It includes a claim calculator for use in preparations for bargaining and during negotiations.

By entering some basic figures, negotiators can see what the effect of a pay claim or offer will be on members or on the employer's pay bill. A welfare rights package enables negotiators to calculate the effect of pay increases for members claiming benefit.

Alan Jinkinson, general secretary, said: "Negotiators in the field, activists or staff can prepare claims, assess management offers and send information back to head office within seconds. We are leading the trade union movement in these developments, and are

ahead of public service management in many areas."

A bargaining support project depends on the exchange of current information, which branches can join by subscribing to Poptel, a non-commercial telecommunications system. Members can also access and contribute to union bulletin boards.

Unison estimates that about half its branches already have a personal computer. Some 140 branches are testing the software, of which 30 are fully on line.

In common with all other UK unions, Unison has undertaken a campaign to sign up its 1.3m members to pay their union subscriptions by employer's check-off from their salaries, and has so far signed up 92 per cent.

Jinkinson said: "Once all the sign-up information from the regions is entered on to our central computerised membership system, we shall be able to make substantial savings on direct mailing costs and target our membership in terms of particular surveys, one-off initiatives and longer-running campaigns."

Andrew Bolger

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## MANAGEMENT: THE GROWING BUSINESS

## In a Nutshell

## BSI seeks views on safety systems

Public comment is being sought by the British Standards Institution on its guide to health and safety management systems. The standard likely to follow consultation will be linked to BS EN ISO 9000, the European equivalent of BS 5750, but is unlikely to become a certifiable standard.

BSI says the cost to employers of work-related ill-health is estimated to be equivalent to up to 10 per cent of UK company gross trading profits. The organisation says a properly managed health and safety system would save money.

The guide has been written to allow the "typical manager" to design a system that allows them to meet the requirements of the 1992 Management of Health and Safety at Work Regulations, BSI says.

Comments are welcome until February 28 1995. The Guide to Health and Safety Management Systems is available for £13 from BSI, 0181 996 9000.

## Forearmed with Foresight

Durham University Business School has launched a Foresight project designed to anticipate changes in the business environment for smaller businesses and to predict trends.

A quarterly publication will draw on experts from industry and academia as well as policy makers to produce "policy-oriented research".

Issues as wide ranging as the ageing of population, and the opportunities this will generate, and the impact of regional development policy on the establishment of faster growing companies will be covered.

The quarterly briefing will be available from Durham Business School and NetWest Bank, its main sponsor. Data will also be available on disc for subscribing members. More information is available from Anne Jenkins, Durham Business School, 0191 574 2257.

Nestling beneath Castell Coch, a 13th-century fantasy castle in south Wales, is the regional base of British Coal Enterprise. A few miles away, in Cardiff docklands, is the regional office for British Steel (Industry).

The location of both these job-creation arms of the two industries has symbolism. Castell Coch was built by the Marquess of Bute with fortunes made from the coal of the Welsh valleys, where deep-mining has almost ended. BS(I) is housed at what was East Moors steelworks, which closed in 1978 with the loss of nearly 6,000 jobs.

Both organisations seek to stimulate regeneration by encouraging businesses to grow within the local communities. They provide funding to enterprises which find it hard to obtain risk capital elsewhere, at least at such favourable interest rates. Both also offer managed workspace with easy lease terms.

Today, BCE's future is in the balance with the privatisation of its state-owned parent British Coal. A government announcement was due before the end of November but last week Charles Wardle, junior energy minister, said: "The government and British Coal are currently exploring options for the services provided by BCE and no final decision has been taken."

BCE was established 10 years ago and BS(I) nearly 20 years ago to offset job losses in coal and steel communities. Their futures could be finite because the industry restructuring for which they were set up are largely completed. Yet there is still a need for such services. In the Welsh valleys, there are pockets of male unemployment of 30 per cent, and in Scotland BS(I) is still tackling the effects of the Ravenscroft closure.

To justify a future, the organisations must demonstrate that they have a cost-effective impact on permanent job creation.

Nigel Guy, director of 31 venture capital group in Wales, says that as BCE and BS(I) are not fully commercial animals - having a social responsibility role - they cannot be judged solely by private-sector standards. "But at the smaller end, they have done quite a reasonable job. They have provided real seedcorn capital for businesses and a number have gone on to larger things."

Tillery Valley Foods was set up 10 years ago by husband and wife Chris and Hilary Bradshaw to make quality chilled and frozen food at Aberystwyth, in the Welsh valleys. The Bradshaws financed the start-up with £60,000 made from selling their Thames Valley house. BS(I) provided a similar amount in preference shares and loans, subsequently redeemed and repaid.

Two years ago, it invested in the company by taking a 10 per cent



Nourished by funds: Chris and Hilary Bradshaw's food company survived a lean period thanks to investment by BSI

## Sowing seeds of regeneration

Roland Adburgham on funding for companies in areas that have lost their traditional coal and steel jobs

stake. "BS(I) were sympathetic backers and saw us through the lean first five years when we could have gone bust," Bradshaw says.

"This year, we should make a profit of over £1m. We have always exceeded our job-creation forecasts and now employ 130 people."

While this may be an exceptional success, BS(I) has been a self-financing subsidiary of British Steel since before the latter's privatisation in 1988. BCE, however, receives £7m a year from its parent, with which it also has a £10m a year contract to deliver retraining and outplacement services for ex-miners. It has also built up consultancy work for other companies in the UK and abroad.

For the government, this makes its future more complex to determine. BCE, which has a staff of 90 seconded from British Coal and another 400 on short-term contracts, does not seek to profit on its business funding because of the risk and low margins. It will make unsecured loans up to £25,000 on five-year terms. But it can lend much more in loans or equity. This summer it invested £250,000 in Tech-

board, a hardboard factory at Ebbw Vale.

In common with BS(I), it is not simply filling what is seen as an equity gap. "With every investment client, we offer a business support service - a dual role to police the investment and also to try to help if there is a problem," says Jonathan Thomas, BCE's business funding manager in south Wales. "Sixty-six per cent are still trading five years on." He adds: "One of the myths we have to overcome is that BCE is just for ex-miners - they are very much in a minority."

David Hughes, BS(I) regional manager for Wales, says: "We feel comfortable lending in the £25,000 to £75,000 range. We're looking for companies to grow irrespective of the starting point. If it is likely to stay a one-man business, we wouldn't be interested."

The organisations stress they act in partnership with other agencies and it is businesses which create jobs. BCE says it achieved a milestone of 100,000 "employment opportunities" in 1993-94, which Philip Andrew, chief executive, described

as the "most successful year" in its history. BS(I) says it has had a similar number of "job commitments".

Although BS(I), which has a staff of only 36, lost £1.2m in its last financial year, Vernon Smith, its chief executive, says: "There is no pressure from British Steel plc to try to cause us to be more profitable. The aims of BS(I) are not in essence profit-making. Having said that, I still have to run this operation as a business."

Both organisations are putting more emphasis on supporting small- and medium-sized enterprises rather than start-ups. Smith explains: "We realise that it's probably better to help the small business that actually operates. If you back those, then you're backing someone who has a very good chance."

"Over the last six years our failure rate has been 25 per cent of the capital we have put up. Venture capitalists think of that as a fair figure. Last year our losses in relation to capital were 16.9 per cent. We were delighted - we're obviously past the worst of the recession."

## Richard Gourlay meets a man who has seen deals from both sides Benefits of an insider's view

It is not clear whether Derek Lewis, who joins Schroder Ventures on January 1, is a poacher turned gamekeeper or gamekeeper turned poacher. Having raised money from private equity providers for two businesses in the last 10 years - once as a customer of Schroders - he is crossing the tracks to become a director advising on deals in the electronics industry.

Lewis has not always had the smoothest of relations with his new employers. As he was negotiating the last details of the buy-out of parts of computer company MBS Product Sales in 1989, Schroders "twisted" the terms, leaving him and his management team with a reduced stake in the business.

"At the end, I was happy," Lewis says. "But it felt at the time that the screw was being turned and it was not particularly productive." Though a relatively widespread practice, it is one which Schroders says it is now leaving behind.

For management teams seeking capital, dealing with someone who has negotiated from their side of the table may be a welcome development. From Schroders' point of view, Lewis' arrival brings more than just knowledge of the other side of the deal. He also has the kind of industry insider's understanding of a market place which Schroders believes is an essential ingredient for successfully competing with other providers of private equity.

Lewis is in the unusual position of having not only led a buy-out but started a company as well. In 1984, after 10 years with IBM, Lewis and a partner bought a small computer broker, Combro, with finance from Citicorp Venture Capital. They intended to build a distributor of mid-range computers.

But the company evolved along quite different lines to that laid out in the business plan on which Lewis raised the finance. Combro did sell mid-range computers, but within 18 months it had also become IBM's biggest distributor of PCs in the UK.

Its success was based on buying large volumes, supplying dealers at better prices than they would

get direct and by providing companies with very fine pricing and swift service.

"The original plan was for a perfectly valid business but it would not have become a dominant force," Lewis says. "The innovation was in recognising that the terms of the IBM contract allowed you to sell on to other dealers." When Lewis sold Combro to MBS in 1987, sales had grown from £2m to £40m. Two years later he was buying the business back as part of the deal financed by Schroders after MBS management ran into trouble with its other activities. And by 1992, the business had been sold to ICL for an undisclosed amount.

Lewis is joining Schroder Ventures at a time when it and Schroders' affiliates have been raising new capital for a number

Poacher or gamekeeper? 'I prefer to look at it as bringing the two sides together'

of its funds. Earlier this year it successfully raised a third UK buy-out fund at \$225m (£177m).

Shortly afterwards it closed a \$100m International Life Science Fund and funds for Italy and Canada. And by Christmas it should have raised \$180m for an Asian development capital fund that is likely to close at \$250m.

This fund will make Schroders one of the largest private equity investors in the region behind Prudential Asia. It will mainly provide development capital to businesses taking advantage of growing markets in growing economies, Schroders says.

By comparison the UK, where Lewis will focus most of his attention, is relatively mature. Private equity investors are increasingly likely to require infusions of industrial expertise like that provided by Lewis. But does he see himself as poacher or gamekeeper? "I prefer to look at it as bringing the two sides together," Lewis says. "Every now and then the rabbit will jump into the pot of its own accord."

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Dated this 16th day of December 1994  
N. Radstock  
Joint Liquidator

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NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 15th day of January 1995 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Costas I. Mavroulakis, A.C.A. or John P. Poulos, 3 Themistocleous Street, P.O. Box 1012, Nicosia, Cyprus, the liquidators of the said company, and if so required by notice in writing from the said liquidators, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such date as is proved. Dated this 20th day of December 1994  
Costas I. Mavroulakis  
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FINANCIAL TIMES



## BUSINESS AND THE LAW

## Ruling on time limits clarified



**EUROPEAN COURT**

European Community law does not preclude the application of a national rule which limits the period for which invalidity benefit may be payable under an EC directive, even where the directive has not been properly implemented, the European Court of Justice ruled recently.

In 1970 Mrs Elsie Johnson gave up work to look after her daughter. In 1980, she tried to go back to work but was unable to do so because of a back complaint, for which she was granted non-contributory invalidity benefit.

In 1983, she started living with a man and benefit was stopped because, under English law at the time, a woman cohabiting with a man had to show not only that she was unfit for work but also that she was unfit to carry out normal household duties. That criterion did not apply to males.

In 1984, non-contributory invalidity benefit was replaced by a severe disablement allowance which could be granted to persons of either sex under identical conditions. The allowance could be claimed automatically by persons entitled to the old benefit without having to satisfy the new allowance conditions.

Mrs Johnson was refused automatic entitlement. This refusal was based on domestic legislation, whose effect was to deny an applicant the allowance if payment of the non-contributory invalidity benefit had not been claimed before its abolition.

The Social Security Commissioners referred the matter to the European Court of Justice to determine whether such a rule was compatible with the relevant EC directive.

The Court held that it had been possible to rely on the provisions of the directive following its implementation in 1984 in order to set aside national rules on the entitlement to benefits which discriminated against women. The provisions also entitled women disadvantaged by maintenance of the discrimination to be treated in the same manner as men in the same situation.

Following this ruling, the Social Security Commissioners granted Mrs Johnson the severe disablement allowance, but only with

effect from August 1986, 12 months prior to her claim. This restriction on her rights to the allowance was made under domestic legislation.

Mrs Johnson appealed to the Court of Appeal. Her argument centred on the ECJ's decision in the Emmott case. In Emmott the ECJ ruled EC law precluded the competent authorities of a member state from relying on national procedural rules imposing time-limits on legal actions in proceedings brought by an individual to protect directly effective rights conferred by a directive where that directive had not been properly implemented by the member state.

The Appeal Court sought a preliminary ruling from the ECJ on the scope of the Emmott judgment in relation to Mrs Johnson's case. It wanted to know whether the domestic rule restricting the right to the allowance to a fixed period prior to the date of a claim was compatible with EC law.

Although the ECJ found the directive had not been implemented correctly and the domestic rule was a national procedural rule on time-limits, it ruled its finding in Emmott should not apply.

The Court said its decision in Emmott had been justified by the circumstances of that case, in which a time-bar had the result of depriving the applicant of any opportunity to rely on equal treatment rights under the directive.

In contrast, the domestic rule in the present case merely limited to one year the retrospective effect of claims for invalidity benefits.

The Court had already ruled that the rights of women to claim such benefits had to be exercised under the conditions imposed by domestic law provided they were no less favourable than those relating to domestic actions and provided they were not framed so as to render it virtually impossible for individuals to exercise their EC rights.

In the present case, those criteria were fulfilled. The Court ruled, therefore, that the domestic legislation in question was compatible with EC law.

*C-410/92 Johnson v Chief Adjudication Officer, ECI, December 6 1994.*

BRICK COURT CHAMBERS, BRUSSELS.

The government's response to the soaring legal aid bill of the 1980s was to cut back on the numbers eligible for financial assistance, curb lawyers' pay, impose standard fees for criminal cases and introduce legal aid franchising.

The medicine was hard for lawyers to take, but appears to have worked. Legal aid expenditure is no longer rising at a rate of almost 30 per cent a year. The increases in the past two years have been below 10 per cent. Future rates of increase will be even lower.

The eligibility cuts were particularly successful. The government reduced financial eligibility for legal aid in April 1993 so that people with incomes above the level of income support would no longer qualify for free legal advice and would have to pay a much larger contribution towards the cost of legal aid. The government estimated the cuts would save £43m in 1993-94, £110m in 1994-95 and £170m in 1995-96. Having made the cuts it expected total expenditure to reach £1.54m in 1995-96.

In fact, legal aid expenditure in 1993-94 was some £73m less than provided for in the supply estimates. Expenditure in the current year is also expected to be under-spent by at least £70m. As a result, the government has reduced the provision for the next two years by more than £70m in each year. Expenditure is now expected to rise to £1.6m in 1997-98, just 4 per cent more than the original estimate for 1993-94.

Given the apparent success in holding back legal aid expenditure, the Law Society, the solicitors' governing body, has argued the government could now afford to relax its grip slightly.

But rather than restoring the eligibility cuts – something Lord Mackay, the Lord Chancellor, promised he would do as soon as it became feasible – the government seems intent on further tightening control of the legal aid bill.

Next spring Lord Mackay will publish a green paper outlining plans to make legal aid a cash-limited scheme controlled by "fundholders for justice" along similar lines to the GP fundholders system.

The idea was first mooted in July in a paper by the Social Market Foundation, a right-wing think tank.

The paper was written by three members of the advisory group assisting the Treasury fundamental review of the expenditure of the Lord Chancellor's department, part of the purpose of which was to examine access to publicly funded legal services and the options for ensuring funding is provided in as cost-effective a way as possible. The

## Justice seeks its price

Robert Rice on the arguments over curbing legal aid in the UK



paper proposed establishing a system of fundholders who would control the funding of legal aid in a particular area.

At present, those needing legal aid first approach a solicitor who applies for legal aid on their behalf, either to the court, for criminal legal aid, or to the Legal Aid Board, for civil legal aid. They then assess whether the case merits legal aid. Those who qualify are offered legal aid so long as they also meet the financial eligibility requirements and pay any contribution which may be ordered.

Under the proposed fundholder scheme, the fundholder would be the first point of contact. Fundholders would determine what services people required and seek the most cost-effective means of providing them. They would have a limited budget at their disposal. The idea was well received by the government.

The Law Society is up in arms, however. It says the Social Market Foundation's analysis of expenditure trends is out of date; its economic analysis of the way legal aid operates ignores fundamental features of the legal aid system; and the fundholder scheme would turn legal aid into a lottery.

Mr Charles Elly, Law Society president, said: "Cash-limiting would mean that whether you got

legal aid depended on where you lived and when you applied, rather than on the needs of your case. What is worse, it could mean legal aid would be cut off from cases involving a challenge to the government."

The society acknowledges legal aid expenditure rose very rapidly in the 1980s, doubling in real terms since 1987-88, while total government expenditure increased by only 14 per cent.

But it says many of the factors behind the increase reflect deliberate government policy. Among these were:

- The creation of a statutory duty solicitor scheme to provide advice at police stations. That cost £68m in 1993-94.

- A rise in the number of expensive serious fraud trials. The estimated cost to the legal aid fund of the failed prosecution of Mr George Walker, former head of Brent Council, is £25m.

- Increased public awareness of available legal remedies.

- More generous legal aid for children.

- The success of the green form scheme under which people receive free initial advice on a legal problem.

At the same time, the society says, the average costs of cases also rose. This was partly because cases

took longer to prepare thoroughly. Solicitors had to consider such things as advance disclosure of prosecution statements in criminal cases, while in civil cases the increased burden of discovery of documents and the greater use of expert witnesses drove costs up. Moreover, there was also a significant increase in the hourly rates paid in civil cases as county courts increasingly allowed realistic fee rates following a High Court ruling on the matter.

The society also says the foundation's economic analysis of legal aid was wrong. The foundation argued legal aid was subject to "supplier induced demand" – services were delivered because lawyers wished to provide them rather than because clients needed them. But that analysis ignored the controls on the grant of legal aid and lawyers costs exercised by the courts and the Legal Aid Board, the society says.

Its main objection to the fundholder scheme is that cash-limiting would change legal aid from a service to which all those who meet the qualifying conditions are entitled into a discretionary benefit. That would defeat the purpose of legal aid, which is to enable criminal trials to be conducted fairly and to enable the government to meet its responsibility for ensuring access to justice in civil disputes. Cash-limiting, it argues, would mean the legal aid scheme operated inconsistently in different parts of the country, and at different times of the year, as the money ran out more quickly in some areas than others.

It would also enable the government to make covert cuts simply by underfunding the service rather than having to bring regulations before parliament whenever it wanted to change the scheme. Legal aid for challenges to the government could be cut under the guise of giving priority to bread and butter cases.

The legal profession recognises that it must live with a tighter legal aid budget in future. The Labour party has made it as clear as have the Conservatives that there will be little additional funding for legal aid. But with legal aid expenditure now under control the case for the draconian measures suggested by the Social Market Foundation has not been made, the society says.

A better approach would be to make the justice system itself more affordable. The Lord Chancellor has appointed Lord Woolf, the Law Lord, to review the civil justice system. Solicitors believe Lord Woolf reports before taking action which, although popular with the Treasury, would not promote good and open public administration.

## City thefts take the biscuit

City law firms are facing a chocolate biscuit crisis. Pilfering by staff of biscuits destined for client meetings is forcing city firms to take drastic action.

Simmons & Simmons has saved between £10,000 and £20,000 a year by forbidding staff, even heads of department, to eat chocolate biscuits during meetings with clients.

At Clifford Chance, a member of staff was given a formal reprimand recently after issuing more than the permitted two chocolate biscuits per guest.

Glyde & Co initially switched from four-finger to two-finger Kit Kats, but has now gone further by offering only Cadbury's Snacks.

Senior partner Michael Payten says the savings were "considerable, mainly because we have been able to sack the half of the personnel department who were dealing with nothing but complaints about biscuits".

At JM Freeman, biscuit costs have proved difficult to control because of a form of the "small boys" custom of "scurrying" in apple orchards, known as "hoovering". Staff loiter until conference rooms are empty, then dart in and fill their pockets.

Senior partner David Solomon says it was hard to combat because "suspects include lawyers at the most senior levels".

The crisis has led firms to incorporate biscuits in negotiating tactics. At Freshfields, Manchester Airport Enquiry meetings were speeded up by awarding a chocolate biscuit to whoever made a point on which all parties could agree.

Procedures elsewhere in the country vary. In Yorkshire, the duty of hospitality is taken very seriously. At the Sheffield office of O'Leary & Coward, a heaped pile of Cadbury's Shapes is put on the table when meetings begin, and replenished when empty.

This adds an extra dimension to the threat of competition from regional law firms.

Nick Gillies

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- a) The main factory on 70 Pireus Street on a plot 9,454.24 m<sup>2</sup> in area (within the town plan) with buildings covering an area of 14,011 m<sup>2</sup> consisting a spinning mill with 7,220 spindles with a capacity of 600 tons per annum.

- b) A factory on Pireus & 3 Thessalon Street in the Municipality of Pireus on a plot of land 1,043.51 m<sup>2</sup> in area (within the town plan) and buildings covering an area of 8,644 m<sup>2</sup> in which the company's dyeing and finishing plant has been installed.

- c) A factory at Neo Lagasitika in Eleusis on a plot of land 19,332 m<sup>2</sup> in area (outside the town plan) with buildings covering an area of 2,415 m<sup>2</sup> in which a mixed wool spinning mill has been installed with 10 machines and 4,200 spindles with a capacity of 300 tons per annum.

OTHER DATA CONCERNING THE PUBLIC AUCTION

- I. Prospective buyers, on providing a written undertaking of confidentiality, may receive the offering memorandum from the offices of the liquidating company. They shall also have access to any other information they may seek and may visit the premises of the company under liquidation.

- II. The offering memorandum will describe in detail the total assets of the company for sale and will contain every useful information for the prospective buyers. The announcement of the public auction for the highest bidder will be published within the prescribed time limits and in the same newspaper.

For any further details or information please apply to: GREEK EXPORTS S.A. 17 Paeftalimion Street, (1st floor), Athens, Greece Tel: +30-1-324.3111 Fax: +30-1-323.9185

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invites interested investors to express their interest in purchasing the assets of METALLETIKI, EMBORIKI & VIOMIHANIKI S.A. now under special liquidation, by submitting a non-binding, written expression of interest within twenty (20) days from today. METALLETIKI, EMBORIKI & VIOMIHANIKI S.A. was founded in Athens in 1964 and is engaged mainly in magazine or mining, distribution of new magazine and in the manufacture and distribution of metal-cased magnets and dead weight magnets. The company owns two mining concessions in the department of Boeotia, OP 332 covering an area of 8,978 stremmas and OP240 covering an area of 539 stremmas. Two workshops have been developed inside these concessions, one underground and one surface.

Among others, the installations include pre-beneficiation and beneficiation facilities, two shaft kilns for the production of calcium carbonate magnets and related machinery. The company also owns 45 stremmas at Kyzissati Mastodoni in Boeotia where the shaft kilns for producing and moving the crucible-cased magnets are situated.

OTHER DATA CONCERNING THE PUBLIC AUCTION

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## PEOPLE

## Jillings' initiative for Wales

Godfrey Jillings, who headed up Fimbra, the self-regulatory organisation for independent financial advisers, is taking over as director of Wales' Financial Services Initiative.

The initiative seeks to lure financial services businesses to Cardiff and south-east Wales. Jillings, who spent 32 years with National Westminster Bank, was chief executive of Fimbra for three years before it was superseded this autumn by the Personal Investment Authority.

Jillings, an Englishman, will have the job of giving a fresh boost to the initiative, which was launched in 1988 but has been rather quiescent during the recession. In particular, he will seek to target potential relocators from London and



the south-east.

The initiative, which has a London office and an annual budget of £250,000, is run as a partnership by the Welsh Development Agency, Cardiff city council, Cardiff Bay devel-

opment corporation, South Glamorgan county council and Newport borough council.

According to Gregory Byrnes, its chairman, the partners are "determined that, as the economy recovers, the initiative will be back in the business of pulling jobs into Wales".

The Welsh Development Agency itself has a new board member, Robin Lewis. He is chairman and managing director of Magstim Company, which makes medical instruments at Whitland, Dyfed. Making the appointment, John Redwood, Welsh secretary, said Lewis had considerable experience of running a small company in a rural location. "I want to see many more such companies," Roland Adnryham

## Intrepreneurs lose out

The recent loss by Grand Metropolitan, the drinks and foods group, of the management contract of Intrepreneur Estates, the UK pub joint venture between Grand Met and Foster's Brewing of Australia, has left some 15 senior managers without jobs.

The rest of the 280 staff of Grand Metropolitan Estates, the subsidiary running IREL, will transfer to IREL, which is to have its own management reporting to the two shareholders, Grand Met and Courage, the UK brewing subsidiary of Foster's.

The three most senior departures from Grand Met Estates are: Robert Williams, chairman and managing director, Peter Coleman, director of legal affairs and company secretary, Mike Newman, public relations director, and Bill Fox, Rodney Mann and John Norris, who are three of the regional managers.

Grand Met had managed IREL since the two partners pooled their pubs in 1991. It has been criticised by publicans, lobby groups and politicians for running Intrepreneur more like a property company than a pub business. Some licensees have campaigned through the courts against the terms of their leases.

Courage, chaired by Michael Foster, was thought to have been dissatisfied with the management arrangement. When the joint venture was refinanced again in November,

Grand Met relinquished its management role. IREL is seeking a chief executive and several other senior managers. Although IREL will run independently, Courage is planning to play an active role in an attempt to improve relations with IREL's licensees. Rodrick Oram

Unilever, the Anglo-Dutch consumer products group, has realigned roles at the top of its foods business. It has moved from a geographic to a product split. The changes bring the business closer to the structure of other Unilever operations such as detergents. Unilever says the continuing integration of European food markets and its own global food ambitions triggered the changes. Foods accounted for £14.3bn of Unilever's £27.9bn turnover in 1993.

Jan Peelen takes responsibility for global strategy in tea, tea-based beverages and a new culinary products portfolio. He remains chairman of the foods executive and head of the US food operations.

Anthony Burgmans will head ice cream and frozen food operations in Europe and be responsible for the global strategy for those products. He was head of southern European foods.

Okko Miller will head all other European foods and be responsible for global strategy of bakery, oil and dairy-based products. He was head of northern European foods. Rodrick Oram

■ Shares of Huntingdon Inter-

national Holdings jumped 11p to 31p yesterday as the life sciences group announced that Roger Pinnington was its choice as chairman to succeed Ian Campbell, who gave notice of his intention to resign in mid-August.

Last Friday, shares of HHH tumbled 25p to 30p as the group revealed a plunge from profits of £8.6m to pre-tax losses of £7.1m, after exceptional charges of £70.8m to cover restructuring costs at HEE, the US engineering and environmental services business, and the placing into administration of Travers Morgan, the UK-based consultancy.

Known as a "company doctor", Pinnington, 62, has been chief executive of IBM Group, Royal Ordnance, RHP Group, Telfos (after the aborted takeover bid by William Cook), and Blackwood Hodge (until its takeover by BM Group).

More recently he has worked with multinational leasing companies, institutional and private investors, clearing banks and venture capitalists, including recovery and reconstruction situations.

Currently he is chairman of Lynx Holdings, Cortworth and British World Aviation. Peter Pearce

■ Howard Dodd, corporate treasurer of ZENECA Group, has been appointed finance director of ZENECA Specialities.

■ Andrew Thorpe has been appointed marketing director of WHITEHEAD Pub Partnership; he moves from Scottish & Newcastle.

## Betterware looks to better itself

Betterware, the direct home-shopping group, announced a number of board changes yesterday to try to boost its flagging share price.

Peter Hartley, the former managing director of Texas Homecare who joined Betterware in December last year, has been promoted to group managing director from group financial director.

Andrew Cohen has moved from the post of chief executive to be executive chairman.

Hartley will be based permanently at the group's Birmingham headquarters and distribution centre; Cohen was previously in charge of operations but only spent three days a week in Birmingham. Now, he will concentrate on the group's strategy, especially the development of Betterware's new partnership with Avon in north and south America.

Paul Turner, currently financial director of Betterware UK, becomes group financial controller; the board has not yet decided whether to appoint him permanently as group financial director.

Walter Goldsmith has retired as non-executive chairman but remains on the board and will continue to chair the audit and remuneration committee.



Opera  
Oberto

In many performances John Tomlinson gives the impression of a larger-than-life character in search of a role that is big enough for him. With the title role of Verdi's *Oberto* he has undeniably found one of the right size, but that has not stopped him being doubly ambitious and taking on not one role, but two.

Last Thursday Tomlinson also made his debut as an opera producer. When Opera North decided to put on a production of Verdi's first opera, it originally turned to Ian Judge, but he started to get cold feet and withdrew. Tim Albery was approached and thought better of the opera, but decided against it. Enter Tomlinson, laying aside his Wagnerian spear and seizing instead a sword with which to champion this early Verdi rarity.

His production is sketched with bold outlines, but not much in between - a bit like the opera, really. He has set it in the Italy of the 1820s, the ominous menace of dictatorship already casting a premature shadow. The chosen period may make the story even less credible than before, but it is a gift for the ladies of the chorus, who glitter in the party scenes as flappers with beads, plumed headresses and long cigarette-holders - the full works.

As a whole, the show looks good.

**John Tomlinson has laid aside his Wagnerian spear to champion this early Verdi rarity for Opera North**

thanks to Russell Craig's effective designs, but in early Verdi neither that, nor clever production ideas, will ever make the evening. *Oberto* depends on singers who can fire the imagination and at the Grand Theatre, Leeds, it had three out of four. Tomlinson throws himself into his role, giving it every ounce of his energy and decibels from the moment he comes on. Some light and shade would be welcome, but single-handedly he galvanises the whole performance.

The sparks fly when he is confronted with Linda Fimle's hyper-ventilating Cuniza. Heaven knows who gave her that awful wig (one imagines her worst enemy ironing the pleats in the dressing-room beforehand) but she makes an ace twenties' vamp, generously throwing around her ample, rather Wagnerian mezzo. David Maxwell Anderson had an apology made from the stage for a cold, but sang with promising clarity; only the lyrical writing strained his resources.

With David Forcellini keeping the impetus going (crucial in early Verdi) the musical performance had most of the rude energy it needs. Only Rita Cutlis in the soprano role of Leonora was too polite, lacking the necessary punch in the middle of the voice. Although she gave all she had, her final aria, which is the climax of the evening, was a vocal fireworks display which went off without any éclat. Incidentally, how striking it is to hear the pre-echo of *Rigoletto* in her duet with her father.

Why is *Oberto* worth seeing? First, for historical reasons, because it is the seed from which all the later Verdi masterpieces grew. Second, for the sheer adrenalin, which will set toes tapping and hearts pumping, even when the brain complains that the music is not good enough to support any serious emotions at all. Opera North has found its energy and to that extent has found the opera, too.

**Richard Fairman**

On tour until March



Freud and Rubens communicate across the centuries with lovingly painted feet: Freud's 'Leigh under the Skylight' and Rubens' 'Venus, Mars and Cupid'

## Freud among the big boys

William Packer admires the brave juxtaposition of old and new at the Dulwich Gallery

The Dulwich Picture Gallery holds one of London's more remarkable smaller collections of old masters. For its size it is extraordinarily rich not merely in the nominal range of the masters it represents, but in the prime quality of the works by which it represents them. Furthermore, it is kept and shown in the most perfect of galleries, built to the purpose by John Soane and a masterpiece in itself.

Needless to say, being so special a national treasure, it has been kept on short commons for decades, sometimes even under threat of closure. That said, it seems at present in fairly rude health, largely by virtue of the energetic fund-raising policies of its present director, Giles Waterfield, and his imaginative programme of temporary exhibitions, which from time to time brings in the work of modern and contemporary artists such as Lucian Freud, whose work is currently on show.

But then although many old-master galleries put on shows of modern art from time to time, even

though not always by artists so celebrated as Lucian Freud, nor necessarily with the work of Velasquez, Poussin, Gainsborough, Tiepolo, Watteau, Canaletto and Van Dyck on the wall next door. Such a show, we would assume, would be set aside in a room to itself, a special case with critical values of its own by which to respond to it.

What makes all the difference here, however, is that Waterfield "thought it would be interesting to hang the (Freud) among the many mainly 17th century Flemish paintings in one of Soane's main galleries." And he knew very well, for all his mock-innocence, that by so doing he would be taking a most radical curatorial step.

He had four new Freuds at his disposal, three of which were very large, and a small study of a woman's head. And the wall he chose for them, in the first gallery on the left on the main axis of the gallery, is not full of any old things. It is commanded by the great Rubens, lately restored, of 'Venus, Mars and Cupid', with Lely's

'Nymphs at a fountain' and a Van Huisum flower piece alongside, and Van Dyck and Hobbema, among others, across the room.

One of the heresies of modernism, and one of the most pernicious, is that it represents a break with the great humanist tradition of Western Europe that goes back through the renaissance to classical times. Yet it has remained an evident truth, at least to those collectors with the wit and confidence to trust their eyes, that no hermetic seal ever came down to cut us off from the past. We may know a work of art, of whatever kind, by the company it keeps; and if it is good enough it will hold its place in the grandest company, by its quality alone.

But it is a stiff test, and to set up Lucian Freud against Rubens of all people, could all too easily be written off as mere curatorial affectation and no contest at all. But Freud at least has never felt himself to be cut off from the great tradition - artists by

and large don't - and for the last 20 years or so has openly set himself by its standards, not just in the intensity of his scrutiny of the visible world, but in the physical scale of his pictorial ambition, and his prodigious output. He is now 72, and on this present evidence is working with as much physical control and energy as ever, if not more. The huge standing male nude, 'Leigh under the skylight', seen full frontal and foreshortened from below, is an astonishing practical achievement in itself.

That it should also declare itself as a great work of art is something else again. Many still find Freud's bleak vision of humanity unnerving and objectionable, but then the manifest fleshiness of Rubens' women is notoriously not to everyone's taste. The direct comparison here between Freud and Rubens is uncanny and revealing. Of course there must be differences - the history of art cannot be undone, and in Freud the legacy of expressionism is clear enough. But yet these two artists speak to each other across

the centuries on equal terms, on the same scale, even in the same way - the crossed feet of Freud's Leigh and Rubens' Venus is the nicest coincidence. But then how closely similar is the drawing of those feet, in the working of the pigment on the surface, the openness and directness of the statement. The innate naturalism of each image bespeaks a deep and natural sympathy, for all that one is an allegory, the other supposedly an objective response to the natural world.

But then all art is allegory, in the sense that all art is art, and removed from the world through the sensibility and imagination of the artist. Here are two great artists seen from one side by side, with other great artists looking on. We can do no more than pay Lucian Freud the compliment of saying that his work looks as though it has lived in such company all along.

Lucian Freud at Dulwich: The Dulwich Picture Gallery, College Road SE21, until January 21.

## Concert

## Haitink and the LPO

For fans of the London Philharmonic Orchestra the most likely question on everyone's lips at the moment is "who will succeed Franz Welser-Möst as music director?", a matter of even greater urgency now that Klaus Tennstedt, the LPO's principal guest conductor, has had to retire from conducting due to the ill health that has constantly dogged his career.

One possible contender for the post is surely the present music director of the Royal Opera, Bernard Haitink. His long and fruitful association with Amsterdam's legendary Royal Concertgebouw Orchestra, his musical directorship of Glyndebourne Festival Opera and his special relationship with the Vienna Philharmonic certainly single him out as a strong candidate for the LPO job, though whether his current position as the LPO's president will disqualify him remains to be seen. If he is to be considered, then the two concerts he gave with the orchestra on Sunday and Thursday might be viewed as something of a public audition.

The tidy account of Beethoven's First Symphony which began Sunday's concert was a good example of Haitink at his best: neat and precise, free of interpretive quirks, it gave the impression of playing itself. Short of wit, maybe, but handled with an attractive lightness of touch. It was, in short, a pleasantly unassuming reading, a quality less welcome in the Ninth Symphony, where the interpretive challenges are so much greater and the weight of performance tradition so much more intimidating.

Given Haitink's operatic experience, one might have expected a view of the Ninth riven with dramatic incident shot through with a palpable regard for its summatory, colossus dimensions. In the event, the bold rhetoric of the first movement seemed less than arresting, and the finale, for all the vigorous contribution of a well drilled LPO choir and the reliable team of soloists - Karita Mattila, Ann Murray, Keith Lewis and Robert Lloyd - was a little flat. In short, Haitink was visibly exhausted at the end of it. And the packed Festival Hall audience vociferous in its appreciation. Just quite why was difficult to fathom.

Thursday's concert showed Haitink on top form, however, not so much in a brash account of Berlioz's *Benzoni Cellini* overture and a rather subdued Ravel *Mother Goose*, but in a finely controlled and numerous reading of Vaughan Williams' Fifth Symphony. Haitink and the LPO are no strangers to VW. Their recordings for EMI of the First, Second and Seventh Symphonies have been enthusiastically received, further proof that VW is not the exclusive property of British artists, as conductors of the calibre of Rozdestvensky, Rozdestvensky and Slatkin have triumphantly demonstrated. The Fifth, in particular, is well suited to Haitink's introspective temperament, but what impressed above all was his feeling for the longer line, his ability to inject a strong sense of purpose to the ambiguous, ruminative nature on much of the music without rubbing it of its sense of wonder. With more performances like this and a more carefully chosen repertoire, Haitink could, perhaps, be just the music director the LPO so badly needs.

**Antony Bye**

INTERNATIONAL  
ARTS  
GUIDE

## AMSTERDAM

## CONCERTS

Het Concertgebouw Tel: (020) 671 8345  
● Philippe Herreweghe: with the Freiburger Barockorchester and the Collegium Vocale Gent conducts Bach at 8.15 pm; Dec 20, 22

## BERLIN

## CONCERTS

Philharmonie Tel: (030) 2548 8132  
● Berlin Philharmonic Orchestra: conducted by Sir Yehudi Menuhin and with soloist Leonid Gorokhov plays Mozart, Tchaikovsky and Schubert at 8 pm; Dec 20, 21, 30, 31 (5.15 pm)  
● OPERA/BALLET  
Deutsche Oper Tel: (030) 3 41 92 49  
● Siegfried: by Wagner. Conductor Horst Stein, production by Götz Friedrich at 5.30 pm; Dec 27  
● Staatsoper Unter den Linden Tel: (030) 2 00 4762  
● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7

pm; Dec 20, 23, 25, 28; Jan 1  
● Don Quixote: by Tchaikovsky. Conducted by Stolze, choreographed by Nureyev at 7 pm; Dec 26, 27

## LONDON

## CONCERTS

Barbican Tel: (071) 638 8891  
● LSO New Year Venues: Concerts: conducted by John Georgiadis, the music of Strauss in this traditional celebration of the New Year at 7.30 pm; Dec 31; Jan 1, 2  
● Royal Philharmonic Orchestra: Christmas concert with conductor Owain Arwel Hughes at 7.30 pm; Dec 20, 26  
● Festival Hall Tel: (071) 928 8800  
● Johann Strauss Gala: the Johann Strauss Orchestra with director John Bradbury, soprano Marilyn Hill-Smith and the Johann Strauss Dancers plays a programme of music by Strauss. First performance at 3.15 pm, then at 7.30 pm; Jan 1  
● OPERA/BALLET  
Festival Hall Tel: (071) 928 8800  
● The Nutcracker: by Tchaikovsky. English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30 pm; from Dec 21 to Jan 2 (Not Sun)  
● Royal Opera House Tel: (071) 340 4000  
● Cinderella: music by Prokofiev. Created by Frederick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Dec 23 (2 pm), 26 (2 pm), 27, 30, 31; Jan 3  
● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30

pm; Dec 20 (2 pm), 21, 22, 28  
THEATRE  
Barbican Tel: (071) 638 8891  
● New England: World premiere of Richard Nelson's new play. No performance 12-15th Dec., otherwise at 7.15 pm; Dec 29 (Not Sun)  
● National, Lyttelton Tel: (071) 928 2252

● Out of a House Walked a Man: by Denis Khams. A Royal National Theatre and Theatre de Complicité co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Dec 23, 26, 27  
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Dec 28, 29 (2.15 pm), 30, 31 (2.15 pm); Jan 2  
● Queen Elizabeth Hall Tel: (071) 928 8800  
● Cinderella: by Rossini. The Music Theatre London present this new translation by conductor and musical arranger Tony Britten, and director Nicholas Broadhurst at 7.15 pm; Jan 2 (2.15 pm), 3  
● Royal Court Tel: (071) 730 1745/2564  
● The Libertine: by Stephen Jeffreys, directed by Max Stafford-Clark. Comedy based on the works of the 2nd Earl of Rochester at 7.30 pm; to Feb 4

## FRANKFURT

## GALLERIES

Schirn Kunsthalle Tel: (069) 29 98 82 11

● Asger Jorn - Retrospective: 167 works by the Danish painter. The fifth chapter in a series of presentations of postwar European artists; to Feb 12

## NEW YORK

## GALLERIES

Metropolitan  
● Ann Hamilton: exhibition reveals the artist's interest in the relationship between sight and touch; to Jan 3  
● Whitney Museum  
● Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; to Mar 12  
● OPERA/BALLET  
Metropolitan Tel: (212) 362 6000  
● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Dec 22, 29, 31  
● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 20, 24 (1.30 pm)  
● L'Elisir d'Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 2  
● Madama Butterfly: by Puccini at 8 pm; Dec 21, 27, 30  
● Peter Grimes: by Britten. English at 8 pm; Dec 23, 28, 31; Jan 3  
● New York State Theatre Tel: (212) 870 5570  
● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thru 6pm. Fri 8 pm. Ring for other times and matinees; to Dec 31 (Not Mon)  
● THEATRE  
Manhattan Theatre Club Tel: (212) 581 1212  
● Love! Valour! Compassion! latest play by Terence McNally (of Kiss of the Spiderwoman fame), directed by Joe Mantello. Sun. performance at

7pm otherwise at 8 pm; to Jan 1 (Not Mon)  
Richard Rodgers Theatre Tel: (212) 307 4100  
● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8  
● Vineyard Theatre Tel: (212) 353 3874

● American Dreaming: by Chiori Miyagawa, directed by Michael Meyer. The story of a Japanese-American mixed marriage with an eclectic mixture of classical and contemporary music from East and West at 8 pm; from Dec 20 to Aug 1 (Not Sun)

## ROME

## OPERA/BALLET

Teatro Dell'Opera Tel: (06) 481601  
● Cronache Italiane: ballet in two parts based on work by Stendhal at 7 pm; Dec 20, 21, 22, 23

## PARIS

## GALLERIES

Grand Palais Tel: (1) 44 13 17 17  
● Poussin: 400th anniversary retrospective; to Jan 2  
● OPERA/BALLET  
Châtelet Tel: (1) 40 28 28 40  
● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galla, music by Paco Arangas at 8.30 pm; from Dec 22 to Jan 7  
● Champs Elysées Tel: (1) 47 23 37 21/47 20 05 24  
● La Fontaine de Bakchisarai: ballet by the Kirov company, St. Petersburg at 8.30 pm; Dec 20, 21  
● Nutcracker: Tchaikovsky's ballet performed by the Kirov ballet company, St. Petersburg at 8.30 pm; Dec 22, 23, 25, 26, 27, 28, 29, 30, 31

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50  
● Le Lac des Cygnes: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pärn/Ermano Florio at 7.30 pm; to Dec 31 (Not Sun)

## WASHINGTON

## CONCERTS

Kennedy Centre Tel: (202) 467 4600  
● New Year's Eve at the Kennedy Center: Members of the National Symphony Orchestra perform popular tunes and waltzes at 9 pm; Dec 31  
● GALLERIES  
National Gallery Tel: (202) 737 4215  
● Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the Cathedrals of Florence, Pavia and St. Peter's; to Mar 19  
● Sackler Tel: (202) 357 2700  
● Paintings from Shiraz: the arts of the Persian book created in the city of Shiraz during the 14th-16th century; from Dec 24 to Sep 24  
● OPERA/BALLET  
Washington Opera Tel: (202) 416 7800  
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Dec 31; Jan 2  
● THEATRE  
Olney Tel: (703) 924 3400  
● Cinderella: Rogers and Hammerstein musical version of the classic fairytale, directed by Mark Waldrop at 7.30 pm; to Dec 31  
● Shakespeare Tel: (202) 393 2700  
● School for Scandal: by Sheridan. Directed by Joe Dowling at 8 pm; to Jan 7

## WORLD SERVICE

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## FINANCIAL TIMES

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## Bundesbank in command

The German economy has confounded its critics in 1994, so has the Bundesbank. It is difficult to see why the council should revise its fundamental policies when setting the monetary target for 1995 this Thursday. Nor is there a compelling reason for it to alter interest rates. When the first change does come, it is more likely to be up than down.

It is remarkable how far and how quickly both the economic situation and the problems confronting the Bundesbank have changed. A year ago, the Organisation for Economic Co-operation and Development forecast gross domestic product growth of only 0.5 per cent between 1993 and 1994. Meanwhile, as recently as April the annualised rate of growth of broad money (M3), over the average for the last quarter of 1993, was 15.4 per cent, far above the target range of 4-6 per cent.

With the economy forecast to stagnate and monetary growth soaring, the Bundesbank was vulnerable to criticism whatever it did. If short-term interest rates were lowered, it would be accused of ignoring the monetary target. If they were not, it would be accused of ignoring the needs of the economy.

In the event, the Bundesbank did cut interest rates, lowering the discount rate from 5½ per cent to 5 per cent in February, to 5 per cent in April and, finally, to 4½ per cent in May. Similarly, the repurchase (or "repo") rate was lowered from 6 per cent at the end of last year, to 4.85 per cent in late July, where it has since remained. The justification given for cutting interest rates was not that the money supply did not matter. Heaven forbid. It was rather that the money supply was swollen by technical factors, including tax considerations and high returns on liquid bank deposits relative to illiquid "monetary capital".

## Vindicated

Considerable scepticism has been expressed about this rationale. In retrospect, however, the Bundesbank has been vindicated. Since money supply remained virtually unchanged between April and October, the growth of M3 is now likely to be close to the upper range of its target for the year. If M3 were to remain stagnant in November and December, its annual

growth would even fall within the range.

Money supply has come right – and so has the economy. The expectation is that GDP will grow by 2½ per cent, or more, this year. Over the year to the third quarter it rose 2.5 per cent. Growth has been driven, in the traditional manner, by export volume, up 14 per cent in the year to June. As a result, industrial output has also risen quite sharply. In October, it was 5.1 per cent above the level reached a year before, although it was still 6.3 per cent below its peak in early 1992. The east German economy is also growing strongly, if from a low base: in the year to August 1994, output of manufactures rose 19 per cent.

## Inflation

Even though the economy has been recovering far more strongly than expected, inflation has continued to fall. The annual rate of consumer price inflation has been running at below 3 per cent since September. Yesterday's monthly report from the Bundesbank said west German inflation could decline to below 2.5 per cent early next year. The report also welcomed the improvement in the public sector deficit. Germany is, in fact, well on the way to meeting the Maastricht criteria for economic and monetary union, by 1996.

Meanwhile, the Bundesbank confronts the mirror image of the situation it faced a year ago. Then the economy was weak and monetary growth strong. Now things are the other way round. Nevertheless, the economy is not that strong and monetary growth is not that weak. The Bundesbank's instinct may well be to change rather little.

The monetary target for next year is likely to be similar to the one for 1993, although that would imply upward drift in the base, above the mid-point of this year's target range. Similarly, the Bundesbank should see little reason to change interest rates. At some point next year, interest rates are very likely to be raised. But the economy is not yet growing fast enough – in particular, consumption does not appear dynamic enough – to compel an early move. The Bundesbank deserves to feel proud of itself. It should rest a while on its laurels.

## Mr Mandela takes stock

President Nelson Mandela's honeymoon with the South African electorate finally came to an end over the weekend, when the African National Congress (ANC), gathered in Bloemfontein for its first conference in South Africa since it was unbanned in 1991.

It would have been understandable if the party used the event to dwell on its extraordinary achievement since its inaugural gathering in the same city over 80 years ago. Instead the party is subjecting itself to a brutally frank critique of its performance in office.

This is as it should be, for to do otherwise would smack of complacency. As Mr Cyril Ramaphosa, the secretary general, put it in his official report to the delegates, the ANC is a liberation movement still struggling to come to terms with its success at the ballot box last April. The party is heavily indebted, riven by "cliques, factions, tensions and squabbles", he said. It has failed to tackle continuing township instability, rising crime and high unemployment, and is faced by one overriding concern: the failure to meet black expectations.

No one expected it to be easy, given Mr Mandela's dilemma. South Africa's stability, and its appeal to foreign investors, rests on the new government's capacity to maintain white confidence. To do so, Mr Mandela has chosen to act pragmatically – but in the process he has lost black support, particularly among impatient black youth.

There is no simple way out for Mr Mandela. If he is to deliver on the key issues – jobs, housing, education, land reform – he has to preside over a growing economy. To do this, he must bring with him a white community whose role in both business and the security forces is disproportionate to its numbers. And most difficult of all, he must turn a civil service moulded by apartheid into a loyal, efficient administration, without which the best conceived policies will fail.

## Complex problems

There are other brakes on the government's capacity to deliver. It is learning to live with a constitution which decentralises power to nine provincial assemblies. Although the ANC controls seven

of them, they are developing minds of their own, not susceptible to reform by dictat. Add to this the complexity of the problems to be addressed, whether the huge housing backlog, or the gross disparity in land ownership.

Nor is Mr Mandela's task made easier by the nature of the ANC itself. It is a still a coalition, originally driven by a single overriding objective – the end of white minority rule. Now that has been achieved, the cracks in the coalition are emerging, for it encompasses a very broad political spectrum, ranging from advocates of market-driven policies, through militant trade unionists, to members of the influential South African Communist party.

## State patronage

In the past, Africa's leaders were able to sustain comparable coalitions after independence by resorting to state patronage through nationalisation and jobs in government service. Mr Mandela, however, has taken office in a new Africa, where economic policies are constrained by structural adjustment programmes which reduce such patronage through policies that include privatisation, market driven exchange rates, and trade liberalisation.

In the longer term, it might well be healthy for development and democracy in South Africa if there was a fundamental realignment in the country's politics, with the left of the ANC breaking away and standing on its own platform.

First, however, the party must put its own house in order. It must become an organised and focused political party. Instead of a liberation coalition. And for the current five-year parliamentary session at least, the ANC and its partners in the government of national unity must work together to provide the jobs and social services that will form the foundations of the new South Africa.

The danger, as Mr Mandela warned at the weekend, is that the ANC might attempt to regain lost popularity on the basis of populist rhetoric.

If the party heeds his warning, and imposes discipline on its feuding factions, Bloemfontein could mark the moment when the ANC came to grips with its new responsibility.

Mr John Major is not giving up. His government lags further behind in the opinion polls than any other in post-war history. Sections of the Conservative party frequently seem bent on self-destruction. Mr Tony Blair is beginning to fashion an electable Labour party.

But the prime minister intends to ride out the storm, to fight a general election he believes may well not take place until mid-1997.

Speaking in the cabinet room at 10 Downing Street yesterday morning, Mr Major's mood was quiet, initially rather hesitant. But his message during a 45-minute conversation was unambiguous.

He says he is not one of those politicians who bangs the table. He does not believe that to have convictions you have to take up extreme positions. But he has clear ambitions – for the economy, for Northern Ireland, for a radical reshaping of public services to devolve power to individuals. He intends to see them through. Those in the Tory party who imagine that Mr Major might just get up and walk away should think again.

Political recovery, he concedes, will depend on restoring party unity, as well as what the prime minister describes as "the best economic recovery in living memory". Last week's by-election defeat at the hands of Labour in Dudley West was "a very poor result".

Although Tory in-fighting did not entirely explain the biggest swing from Conservative to Labour in 60 years, the lesson is: "Firstly, the party must want to be united".

Mr Major warns to the theme: "I think the Conservative party in the country would think it would be fully running off the Richter scale if the party were not to come together and unite behind the economic recovery".

But it cannot be peace on his enemies' terms. We turn to the position of the nine so-called Tory rebels, the Eurosceptic MPs suspended for defying the government in a vote on Britain's contributions to Brussels. Their treatment technically deprives Mr Major of his overall majority at Westminster, though on most issues he can rely on the nine Ulster Unionist MPs for support.

The prime minister is unapologetic. It is self-evident that there was "no choice" but to suspend them once the MPs withheld their support on a vote of confidence.

The same principles apply to their possible return to the fold. The rebels are Conservatives and Mr Major hopes they will support the government in the months ahead. "In due course one can consider whether they should be re-admitted to the party whip. But it is not imminent at all; they must show that they are in the business of supporting the government." The use of the term "months ahead" is not a slip.

One of the things the rebels want is the promise of a referendum before Britain accepts any further European integration. Here Mr Major keeps the door firmly open.

But first he insists on defining his broader attitude to Europe. Politicians across the parties are divided into three groups. The first two are at the extremes – a minority that has never been reconciled to membership of the European Union and an equally small number who want a centralised, federal Europe.

Then there is the third group in

## Ready to ride out the storm

The UK's embattled prime minister, John Major, outlines his objectives to Richard Lambert and Philip Stephens

which Mr Major places himself and the broad mass of Conservatives. It does not question the economic advantages of membership of the EU. But it is equally sure Britain should not sign up for something just because it comes from Europe.

This majority group wants Britain to shape Europe in a way that fits its own interests and instincts. As Mr Major puts it: "I am as passionately opposed to a wholly federal Europe as I would be to Britain losing its membership of the European Union."

So will he offer a referendum? Not for narrow party political reasons. But yes, "there conceivably could be reasons that would justify a referendum on certain issues and I am not going to rule them out".

Taking first the EU's Intergovernmental Conference planned for 1996, the prime minister says the fears of the Eurosceptics are almost certainly unfounded.

The outcome of a conference that has not yet started is inevitably unpredictable. But "my strong suspicion is that we will see very little change of any serious nature, certainly no serious constitutional change". The prime minister reinforces the point: "I do not expect to come back with anything that would require a referendum".

But he admits he cannot be sure. Other EU leaders might bring more grandiose ambitions to the conference table. So the referendum option will be held in reserve.

The case for a plebiscite on a single currency is more clear cut. Economic and monetary union would be a change of "great national significance". But Mr Major believes the timetable is more distant and is slipping.

There is no question of eight EU countries meeting the Maastricht criteria required for a single currency in 1997. Only three countries, the UK among them, are likely to qualify. Theoretically, a core group might be ready to go ahead two years later in 1999, but Mr Major is far from certain that such a group would choose to, given the "immensely divisive impact" on the EU. So in Mr Major's terms: "I cannot be certain no-one will move ahead in 1999 but I think those people who predict it with confidence are rather reckless in their predictions."

But as to the timing of any specific referendum pledge, Mr Major is keeping his counsel. Meanwhile, the cabinet will spend the next few months shaping Britain's agenda for the 1996 conference. No plans have been finalised, but slimming down the European Commission to cope with enlarge-

ment, the relationship between national and the European parliaments and issues such as subsidiarity and deregulation will be high on the agenda.

So too will be a strengthening of the intergovernmental structure established at Maastricht, particularly in the area of security and foreign policy. There can be no question of Britain surrendering any sovereignty over its foreign policy, nor of any moves that would undercut the North Atlantic Treaty Organisation (Nato).

But there is "a range of areas



John Major: 'I am passionately opposed to a wholly federal Europe'

where we can strengthen the European defence identity, strengthen the European pillar of Nato and ensure that the Europeans collectively make a greater contribution to the overall security."

The discussion moves on to the economy, a source of both pride and frustration for the prime minister. Mr Major – like President Bill Clinton in the US – is presiding over a voteless recovery. Inflation is low, growth and exports are buoyant, but there is still barely a hint of a political payback.

Mr Major suggests the biggest

obstacle to the return of confidence is that unemployment hit a different sector of the community during the last recession. "The bruising has gone unusually deep". Those in white-collar professions such as financial services had previously been insulated from downturns. This time, their next-door neighbours have been among the victims.

More broadly: "The economy is doing very extremely well but people aren't". Annual growth is running at 4 per cent but most individuals have not seen a rise in their net disposable income.

The reason is that the vast bulk of the extra growth has been absorbed by investment rather than by wages and dividends. "That is very good for the economy as a whole. It is very good for employment... but it doesn't impact on the person who says, 'I see the politicians tell me the economy is getting better, I don't feel any better off in my own lifestyle'."

Now that borrow-

ing was under control, the government could fill the voters' pockets with tax cuts. Was Mr Kenneth Clarke, the chancellor, being altogether too austere in his warnings about fiscal prudence?

The prime minister insists not. "I am with the chancellor 100 per cent. We are not going to engineer a pre-election boom. That is not the game we are playing at all. Everyone has gone through a great deal of pain and a great deal of difficulty to put this economy on an even keel... If anybody thinks we will recklessly throw that away then they are making a very serious misjudgement indeed."

Tax cuts will come when the economic conditions are right. "I do wish to put taxes down, I do wish to give people choice but I am not going to do it until it is economically right to do it."

But what about those company directors who have engineered their own private economic boom with hefty salary increases and share option packages? The electorate, to judge by the opinion polls, is appalled. Is Mr Major going to do it?

Some of the increases, the prime minister agrees, have been "insensitive". He welcomes moves in the City towards a greater degree of self-regulation. He has held discussions on the issue with the Institute of Directors and the National Association of Pension Funds.

But in legislative terms there is little he can do. "The danger of government taking legislative action of some sort is that you in practice then impose a rather restricted policy upon a small number of people". His comments leave the impression that Mr Michael Heseltine, the trade and industry secretary and a fierce opponent of intervention, has prevailed in the cabinet debate on the issue.

There is time just at the end of the interview to look ahead. To the question whether he can remain prime minister until the end of the present parliamentary term in mid-1997, Mr Major answers a simple "Yes". And he intends to: "You sometimes have to tack and turn to get from Dover to some far distant port, but providing you get to the port a bit of tacking and a bit of trimming en route doesn't matter".

Mr Major said.

"We must earn and keep their trust and they must be clear that there is nothing going on that would unsettle either main tradition... So those people who are thinking: 'Gosh, there is some murky work at the crossroads' are wholly wrong."

Mr Major expected today's meeting with Mr Bruton to be an informal discussion. He said it was too early to say whether the document would be completed in January.

"We will move ahead as speedily as we can. There are still some difficult issues to be determined. I think they are debatable but it will take a little while."

## Trust must be won in Ulster

lems of weapons and explosives."

Referring to yesterday's bilateral meeting with Sinn Féin, Mr Major commented: "We have always made clear that there can be no question of political representatives of paramilitary organisations entering the political process until they have a commitment to exclusively peaceful methods – and have demonstrated that commitment to exclusively peaceful methods."

The prime minister would not specify how Britain would react to the decommissioning of the IRA's weapons stockpile. But he expressed hopes that continued peace would bring further gradual moves in security and policing operations in Northern Ireland.

"Both the government and the Royal Ulster Constabulary would like to move to wholly civilian policing... that is going to take some time but it is a clear objective."

In a response to suggestions from Mr Albert Reynolds, Mr Bruton's predecessor, that Britain had conceded the creation of a new cross-border institution with executive powers, Mr Major said: "There is no question of joint authority,

which is what worries the people of Northern Ireland."

Mr Major stressed that, once completed, the framework document would be a basis for discussion among the Northern Ireland parties, not a blueprint for a new political settlement imposed by the British and Irish governments.

Any new arrangements would require the consent of the people and would be submitted eventually to a referendum. "If we have learned anything about the Northern Ireland problem over recent years it is that you have to carry

the people of Northern Ireland with you," Mr Major said.

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## Game, set and cash

■ It's obvious when you think about it: Ted Turner wants to buy NBC because otherwise his Turner Broadcasting Systems would look pretty silly in 1996, when Atlanta hosts the next summer Olympics. Turner's cable channels are based in Atlanta, yet would be unable to broadcast the games.

But NBC's owner, General Electric, is probably putting the price up each passing day. The rights to broadcast pictures of the games don't come cheap: NBC paid the International Olympic Committee \$456m. And NBC reckons it's already reached half its \$600m target for pre-sold advertising. Coca Cola promises \$62m, General Motors \$50m, and McDonald's \$30m – and the games are still 18 months away.

Turner says he just wants a tiny slice of broadcasting rights. NBC chief Dick Ebersol, who wants to see something up front before striking any such deal, wants to see Turner's cash. Now, if a deal is struck, who might Turner fire first...?

## Passing the hat

■ Nigel Whitaker, the energetic Kingsley director and chairman-elect of the British Retailers Consortium, is irritated

## Lionised

■ Christians at Lloyd's is not an updated version of chucking believers into the lions' den, but rather a group set up by people working at Lloyd's, partly to help distressed Names.

"If people are in the state that they are in, then we can't just walk by on the other side of the road," says Nigel Found, one of the group's stewards.

Found says Christians at Lloyd's also will fight the bad publicity the market has recently attracted: "When a market has fallen into disrepute in the way that, sadly, Lloyd's has, then we need to do



something about that."

The group is tomorrow organising a meeting with pop singer Helen Shapiro, who suggests one of her records – *Walking Back to Happiness* – as a Lloyd's theme tune.

Surely the Eagles' hit – *Hotel California* – is more appropriate? As it says: "You can check out any time, but you can never leave."

## Dual purpose

■ Visitors to the US Treasury are better off leaving their guns at home. Unfortunately, Charles Corry, the head of USX, owner of

the country's biggest steelmaker, forgot that simple rule last week and now faces a maximum penalty of 180 days in jail.

It's an easy enough mistake for the modern business executive to make. Corry regularly lugs a .32 calibre pistol around in his briefcase. Well, who doesn't these days?

The snag is, he is only licensed to carry it in his home state of Pennsylvania.

Surprising as it may be, Washington DC has strict gun laws – everything is relative – and the state doesn't take kindly to visitors toting firearms. Corry's concealed weapon showed up on a scanner as he entered the Treasury, leading to his prompt arrest.

He will be explaining himself in court in January.

## Demon barber

■ Wanted – a new Butcher of Broadway. The New York Times, whose theatre reviewers used to be able to make or break new Broadway shows, is changing its theatre critic.

David Richards, the paper's lead theatre critic, is quitting after only a year in the job. The word is that his reviews have not been rude enough for some New Yorkers.

Richards' departure would not normally be worthy of comment except for the fact that New York is the hub of US theatre and the NYT is the only voice that really matters

when it comes to reviewing shows. A bad review could kill a good show when Frank Rich was sitting in the lead critic's chair.

Richards' problem, on the other hand, seems to have been that his reviews have been a bit short on vitriol and this has caused a certain tension between him and his superiors.

Vincent Canby, 70, the theatre critic for the Sunday NYT, is standing in for the moment, but the word is that Ben Brantley, Richards' 40-year-old deputy, is warming up in the bull pen.

## Ping-pong

■ Bad luck all those hoping to get in a round or two when next visiting China. Yesterday the state planning commission reinforced a freeze on all new luxury projects until the end of 1995.

New golf courses and race tracks will be delayed in the hope that fixed-asset prices will not continue to soar.

Of course, the only result will be sky-rocketing secondary trading of golf club memberships...

## QE...D

■ Now we know why Trafalgar House wants that nice steady cashflow from Northern Electric: to pay off the hundreds of passengers denied boarding on Cunard's not-so-quick-fitted QE2.



## Unilever delays board change after soap wars

By Roderick Oram, Consumer Industries Editor, in London

Unilever's problems with its revolutionary new detergents appeared yesterday to have disrupted the orderly succession to the Anglo-Dutch group's top job. The company announced a postponement of previously announced boardroom changes amid mounting evidence that Persil Power and Omo Power, the detergents launched this spring, have failed to meet their targets. Unilever spent some \$200m (\$312m) to bring its most ambitious new product in 15 years to market. But it has made no dent in the sales of Procter & Gamble, its American rival, which has about 35 per cent of the \$5bn a year European detergents market against Unilever's 22 per cent.

P&amp;G launched an unprecedented public campaign against the product, which Unilever had hoped would help it recapture the lead in European detergents it lost to P&amp;G in the 1980s. Unilever said that Mr Niall

FitzGerald, vice chairman of Unilever plc, the British half of the Anglo-Dutch group, and head of its detergents business, would not be joining the special committee, the triumvirate that runs Unilever, as planned after next May's annual meeting. His move to the special committee, announced last December, had been seen as a precursor to his taking over from Sir Michael Perry, chairman of Unilever, due to retire in May 1996. Mr FitzGerald "has expressed the wish to continue as detergents co-ordinator for a further period," Unilever said. He would now join the committee in 1996.

The delay means the special committee will be down to two men for up to two years, an unprecedented situation in Unilever's 64-year history.

The two special committee members are Sir Michael and Mr Morris Tahakshil, chairman of Unilever NV, the Dutch arm. The third person on the committee is usually their apparent to one of the co-chairmen.

A 49-year old Irishman, Mr FitzGerald would be the youngest chairman in Unilever's history.

It would be unusual for a new chairman to take up his post without serving on the special committee. Asked whether the change in timing meant Sir Michael would extend his tenure, Unilever said: "That would depend on events and needs."

The original version of the new Power detergent, sold as Persil in the UK and Omo on the Continent, came under a barrage of criticism for damaging some fabric under certain conditions. The group was forced to change the formulation after a flaw in it made it react to a some dyes.

"We wanted to add several points of market share but we might end up this year slightly down," a senior Unilever executive said yesterday. Unilever's detergents business accounts for 23 per cent of group turnover but Power detergents account for only some 1.5 per cent of sales.

People, Page 12

## R-R signs deal for engines supplied by BMW

By John Griffiths in London

The next generation of Rolls-Royce and Bentley cars will be powered by BMW-supplied engines and developed in collaboration with the German car maker, under an agreement signed yesterday.

The deal between Rolls-Royce Motor Cars, the luxury car subsidiary of UK engineering group Vickers, and BMW, which bought Rover Group from British Aerospace in January, followed nearly a year of negotiations.

Sir Colin Chandler, Vickers' chief executive, described it as "an extremely significant stage for the group in mapping the medium- and long-term future for Rolls-Royce Motor Cars, and in the continuing process of stabilising and positioning all the group's businesses for future growth."

BMW will supply V12 and V8 engines, which will be further developed with Rolls' Crewe engineers and Vickers' Cosworth Engineering subsidiary. The supply of other components is also under consideration.

The two companies will also explore ways of developing and marketing "Concept Java", a small coupe prototype. It has just completed a "world tour" of motor shows and received favourable reviews.

Sir Colin stressed Rolls-Royce was not for sale, nor would any equity stake be offered in it "for the foreseeable future".

The agreement relieves Rolls-Royce of the burden of developing its own engines - an increasingly complex and costly exercise.

The deal with BMW was reached only after Rolls-Royce had conducted parallel negotiations with Mercedes-Benz. Sir Colin said Vickers had made maximum use of the rivalry between the two German groups. Mercedes-Benz declined comment.

The agreement would not mean job losses at the Crewe plant, said Mr Peter Ward, Rolls-Royce's chairman. Nor would BMW's name appear on its cars.

Sir Colin rejected suggestions that a non-British partner was regrettable for a company which much of the world regards as a symbol of excellence. "We live in a global village and alliances of this sort are an everyday feature of the motor industry."

A link with non-UK companies is nothing new. All Rolls-Royce cars use a General Motors automatic transmission.

The deal comes as Rolls-Royce's sales are improving after one of the steepest falls on record. This year sales are expected to be around 1,400 cars, with analysts projecting profits for this year of up to £12m (£19.7m).

 Rolls-Royce keeps hold, Page 6  
 See Lex

## Trafalgar's tax heaven

A tie-up between Trafalgar House and Northern Electric would be a marriage made in financial heaven. The strategic fit might be questionable, but the tax savings would be very real, far outweighing the £26m windfall pay-out to Northern's consumers if Trafalgar succeeded. Trafalgar holds substantial capital gains losses, after two terrible years. These would off-set capital gains from the demerger of Northern's National Grid stake, saving at least £50m in tax. The bidder has a further £223m of unrelieved Advance Corporation Tax to be used against electricity profits, and there are trading tax losses on top.

The financial logic should dissolve shareholder concern over the logic of moving into electricity distribution, about which Trafalgar knows little. Trafalgar's strategy of building stable earnings to fund infrastructure projects may not appeal to shareholders who had invested in a cyclical engineering and construction company, but Northern's share price, 30p below the cash offer, suggests little expectation of a bidding war. Delay through a referral to the Monopolies and Mergers Commission seems more likely, but it is hard to imagine the grounds on which the bid could be blocked.

The current discount to the offer price may instead reflect the fact that Trafalgar appears to have offered a full price. Only last week, political concerns were bounding the sector, and the likelihood of Labour government can hardly be said to have receded at Dudley West. Taxation notwithstanding, Trafalgar's non-Hong Kong investors may make it hard for the company to pay more.

### ITT/Caesars World

ITT believes casino gambling is potentially more lucrative than financial services. That much became evident from yesterday's \$1.7bn purchase of Caesars World, coupled with its proclaimed determination to sell its loan and mortgage businesses during the coming few weeks. The rationale is not complicated. The immediate prospects for gaming are better than for ITT's loans operations; the North American gaming market is currently enjoying double-digit growth and enviable margins.

The strategy ITT chose to deepen its exposure to gambling through acquisition must be right. By buying Caesars, ITT gains an internationally recognised brand-name, acquires first-class management in an area where the

### THE LEX COLUMN

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Source: Datastream

group admits weakness and creates the possibility of synergies between the casinos and ITT's Sheraton hotels. By deciding to abandon its plans to construct a new Las Vegas casino, ITT also avoids increasing competition in an already tight market.

That said, the north American gaming market is evolving rapidly; present growth looks unsustainable as new capacity is being added at a rapid rate on river boats and in Indian reservations. ITT's turn at the gaming table will not be without its risks.

### Rolls-Royce/BMW

Both Rolls-Royce, the Vickers luxury car subsidiary, and BMW have reason to congratulate themselves on their supply agreement. BMW has outsmarted its rival Mercedes-Benz to forge a link which will considerably strengthen its position at the very top end of the automotive market. So soon after the Rover acquisition, it has again demonstrated its nimbleness in seizing the strategic initiative.

For Rolls-Royce, the alliance will secure its future as an independent company beyond the current generation of cars. Vickers has been good at cutting Rolls-Royce's costs and improving its efficiency but does not have the financial clout to develop a luxury car for the next century out of its own resources. Under the agreement Rolls-Royce will get engines and other components more cheaply than if it developed or made them itself, while BMW will be able to spread the costs of producing such large engines over higher volumes.

The deal has been done without Vickers having to cede a ha'porth of

Rolls-Royce's equity, but the question of control may in time prove an irritant. In 10 years or so the German company is likely to have made itself indispensable to Rolls-Royce, so that BMW would be the obvious buyer should Vickers choose to sell. In the meantime shareholders in both companies should benefit.

### Cadbury Schweppes

Cadbury Schweppes is in a bind. Its trading this year has been better than that of most food manufacturing companies, yet the immediate future looks troubled. The shares are down 4 per cent in the past month and nearly 10 per cent in the past year.

Investors' concerns are understandable, if overdue. They centre on Cola-Cola Schweppes Beverages, the £1.5bn bottling operation 51 per cent owned by Cadbury. While this has been the motor of the group's growth in recent years, the reliability - and therefore the quality of earnings - from this business has clearly deteriorated. The culprit is the outbreak of Cola wars as the supermarkets bring out their own products in an attempt to undercut the traditional premium prices enjoyed by Coca-Cola. Packaging prices are rising and next summer's weather is unlikely to be so clement as in 1994. It is thus probable that CDSB's operating profits will fall sharply next year.

The impact on Cadbury's earnings per share will however be diluted by the fact that CDSB is not fully-owned. Moreover, trading is strong in confectionery and Cadbury's earnings are likely to beat those of the sector as a whole next year; notwithstanding bankers' reduced profits forecasts. The period of underperformance for Cadbury should be coming to an end.

### BP

British Petroleum yesterday overtook British Telecom to become the biggest company by market capitalisation on the London Stock Exchange. Admittedly, BP's achievement is not unaided - BT's share price fell yesterday as it went ex-dividend. The telecom group has underperformed this year because of fears about competition from cable television and its less than ambitious dividend policy. But BP's success is real nonetheless. Its rising share price is a tribute to the cultural revolution put in place by the company's new management and its impressive earnings performance in a difficult environment.

## Chechnya

Continued from Page 1

remains strong, even among senior military officials, and the divisions are echoing in the Russian leadership. Lieutenant General Valery Vostokov, a deputy minister for emergency situations, said in the neighbouring republic of Ingushetia yesterday that the army should not be used to establish order on Russian territory.

Interviews with officers and soldiers have revealed a widespread dislike of the duty they are being asked to perform - while there were reports that the commander of a motorised division which had refused to approach the city from the west had been replaced.

Mr Yeltsin was released yesterday from a Moscow clinic where he had been directing the military deployment for the past week after an operation on his nose.

In Moscow, troops and armoured personnel carriers were reinforcing the regular militia throughout the city.

The Moscow transport police announced yesterday that they had uncovered an arms dealing ring and had seized about 3,000 weapons.

They said they were investigating whether the arms were being delivered to trouble spots in Russia and elsewhere in the former Soviet Union.

## N Korea shuns US call over crash pilots

By John Burton and Heuter

North Korea yesterday refused to hold a meeting requested by the US to discuss the return of a US pilot and the body of his co-pilot killed in the crash of their army helicopter in North Korea.

The announcement appeared to dash hopes that North Korea would try to resolve the incident quickly. But, in Washington, US president Bill Clinton said the matter was a "high priority" and that he was working hard for its resolution.

North Korean officials explained that their leadership was "too busy with the investigation" into the incident to hold talks on the pilot's release, according to a spokesman for the US military in Seoul.

North Korea's rejection of the US talks proposal could reflect deep divisions within the North Korean leadership on how to resolve the issue.

The North Korean military is believed to be opposed to Pyongyang's recent rapprochement with the US, and may try to use the incident as justification for its stance that the US still represents a threat to the country.

The Pyongyang government

recently agreed to dismantle its nuclear programme in return for the establishment of diplomatic ties with the US. A long delay in solving the helicopter issue will increase pressure in Washington for the US to take a tougher stance on aid to North Korea.

The two-man OH-68 reconnaissance helicopter crashed on Saturday, three miles north of the eastern end of the demilitarised zone that divides North from South Korea.

The North Koreans claim that they shot down the helicopter, but the US says that it may have had to make an emergency landing after straying across the demilitarised zone because of a navigational error.

One explanation for Pyongyang's rejection of the proposed talks could be that the US wants to discuss the pilot's release through the military armistice commission which supervises the truce that ended the 1950-53 Korean war.

But North Korea withdrew from the commission earlier this year in an attempt to press the US to sign a peace treaty formally ending the war, although it still maintains low-level contacts with US the military at the border town of Panmunjom.

## Setback for Turkey's trade pact hopes

Continued from Page 1

groundwork for the customs union had been agreed, with only the political issues of human rights and Greece's concerns over Cyprus standing in the way. Turkey is also due to receive \$500m (\$760m) in financial aid

from the EU, but this too has been blocked by Athens.

Mr Douglas Hurd, UK foreign secretary, said it was extremely important to maintain a partnership with Turkey.

Against a background of noisy Kurdish demonstrations outside the council building in Brussels,

Mr Hurd defended Turkish efforts to improve their record on human rights.

"The Turks are taking quite substantial measures to legislate on human rights," he said, adding that the rights cause would not be advanced "one jot" by refusing a customs union.

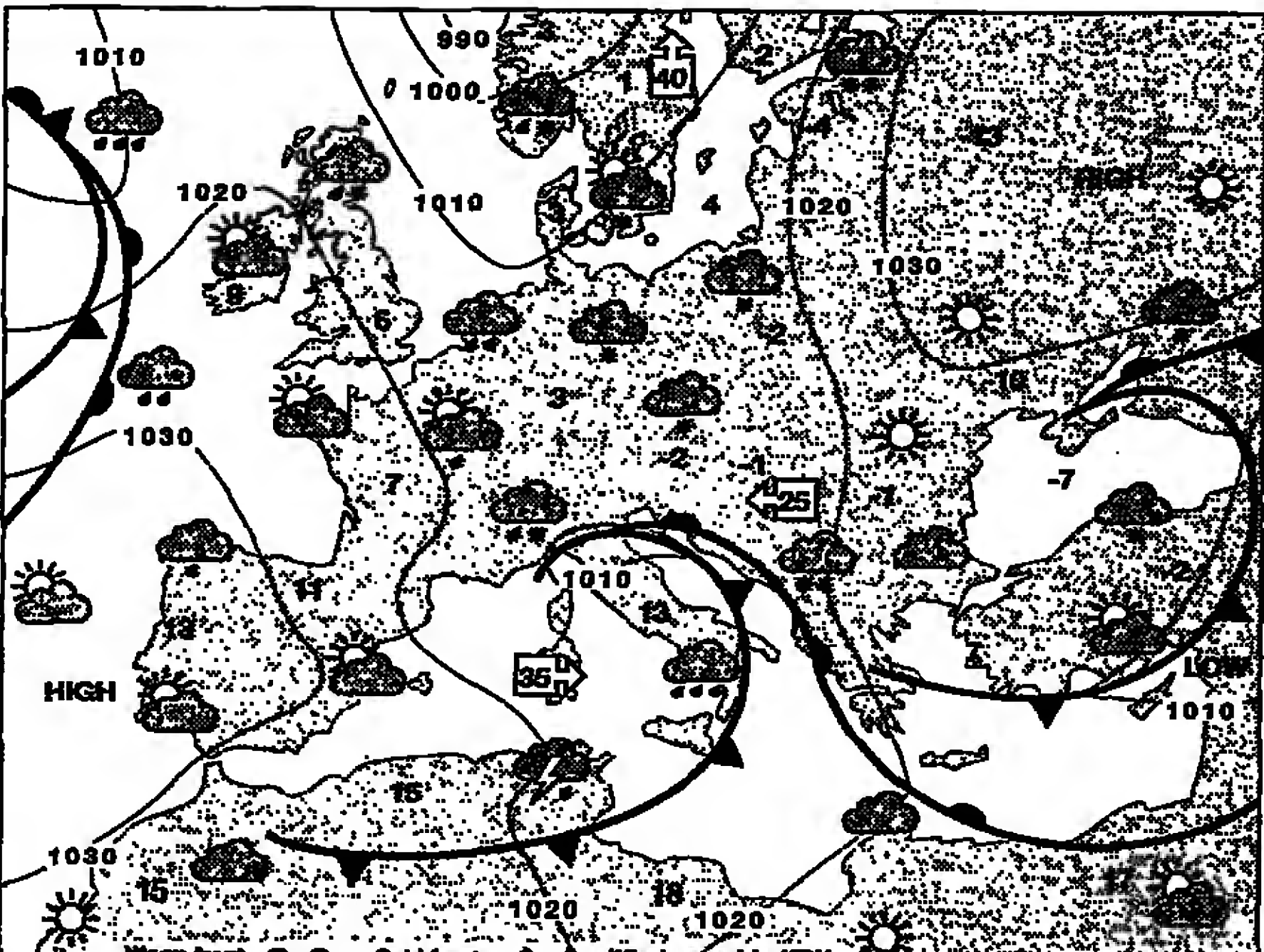
### FT WEATHER GUIDE

#### Europe today

Wintery conditions will prevail in most areas as a surge of cold air spreads over north-western Europe. Conditions will improve in the UK but wintry showers will still affect the north. More wintry showers mixed with sunshine will occur in France and the Benelux, while, further east, less frequent snow showers will fall in Germany. An active low over the Gulf of Genoa will bring heavy rain to Italy and along the coasts of the former Yugoslavia, Albania and Greece. Widespread snow will fall at high altitudes in the Balkans, the southern Alps and Austria. Meanwhile, scattered snow showers will occur over the western Pyrenees. Conditions over the far eastern Mediterranean will improve, while European Russia will stay mainly dry and sunny but with frost.

#### Five-day forecast

In the North Sea region, wintry showers will gradually diminish allowing more sunshine but lower temperatures. The unsettled and rough conditions over Italy will move to the eastern Mediterranean, while northern and north-eastern Europe will become mainly dry but cold. Scandinavia will have a warming trend by the end of the week. Heavy snow will continue to fall on Wednesday in the Alps.



Situation at 12 GMT. Temperatures maximum for day. Winds from Meteo Consult of the Netherlands

#### TODAY'S TEMPERATURES

Abu Dhabi	fair	27	Beijing	snow	1	Caracas	fair	29	Faro	fair	17	Madrid	cloudy	8	Rangoon	fair	33
Accra	fair	31	Belfast	showers	5	Cardiff	fair	16	Frankfurt	showers	2	Malaga	fair	15	Riyadh	cloudy	2
Algiers	showers	15	Birmingham	cloudy	3	Casablanca	fair	15	Geneva	showers	2	Manila	rain	16	Sao Paulo	fair	2
Amsterdam	showers	5	Bombay	fair	21	Chicago	showers	3	Glasgow	cloudy	5	Mexico City	fair	20	Seoul	fair	2
Athens	cloudy	10	Buenos Aires	sun	23	Dakar	sun	31	Hamburg	cloudy	3	Moscow	fair	22	Singapore	showers	30
Atlanta	sun	14	Burkina Faso	showers	3	Dallas	sun	23	Helsinki	cloudy	3	Mumbai	fair	25	Stockholm	fair	3
B. Aires	sun	25	Chennai	showers	0	Dhaka	sun	27	Hong Kong	fair	18	Nairobi	fair	28	Sydney	fair	20
Bangkok	fair	33	Dubai	showers	2	Dubai	showers	6	Islamabad	cloudy	5	Paris	fair	13	Taipei	fair	18
Batavia	fair	33	Durban	cloudy	17	Dubrovnik	rain	12	Jakarta	fair	2	Perth	showers	5	Tel Aviv	rain	14
			Edinburgh	showers	28	Edinburgh	showers	12	Jersey	sun	29	Porto	sun	26	Tokyo	fair	10
									Kuala Lumpur	sun	15	Rangoon	rain	13	Toronto	fair	2
									L. Angeles	sun	21	Sao Paulo	sun	25	Vancouver	rain	10
									Las Palmas	fair	21	New York	sun	6	Venice	rain	7
									Lima	fair	25	Nice	sun	12	Vienna	snow	-1
									Lisbon	cloudy	14	Nicosia	fair	13	Warsaw	snow	-4
									London	fair	5	Oslo	fair	2	Washington	sun	9
									Luxembourg	showers	4	Paris	showers	5	Wellington	fair	19
									Lyon	showers	4	Perth	showers	5	Whangpoo	fair	0
									Madrid	fair	18	Prague	snow	-2	Zurich	fair	2

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## IN BRIEF

### Philip Morris sells Kraft Foodservice

Clayton, Dubilier & Rice, the US leveraged buy-out specialist, announced that it had agreed to sell Kraft Foodservice, the second-biggest food service company in the US, from Philip Morris, the US food and tobacco group. Page 19

**Ahold ready to slim down**  
Ahold, the Dutch food retailer group which operates six supermarket chains in the US, is considering buying out some of its extensive US property holdings into a property investment fund. Page 18

**Bertelsmann seeks Ricordi takeover**  
Bertelsmann, the German media and publishing group, is to acquire Ricordi, one of the oldest and best-known names in Italian music publishing, with BMG Ariola, its Italian subsidiary. This completes the friendly takeover launched in August. Page 18

**Serafino Ferruzzi on brink of liquidation**  
Creditors of Serafino Ferruzzi, the private holding company which once controlled the Ferruzzi family's business empire, gave notice that they intended to put the company into liquidation. Page 18

**Bank year for German banks**  
This year has been bleak for Germany's big banks. Analysts have downgraded their forecasts for 1994, looking instead to improved results in 1995 as securities markets settle down and banks benefit from the economic upturn. Page 19

**Toyota revises forecasts**  
Toyota Motor, the leading Japanese carmaker, has revised upwards its profit forecasts for the first half to December, after cost-cutting had lifted consolidated operating and recurring profits, before extraordinary items and tax, to 10 per cent above its original forecast. Page 20

**Moore Corp gets sophisticated**  
Canada's Moore Corp has taken a big step towards shifting its emphasis from paper forms to more sophisticated information-handling systems by selling the bulk of its stake in Toppan Moore, Japan's biggest business-forms supplier. Page 20

**Lombor and Gencor go for gold in the CIS**  
Lombor, the London-based international trading combine, and Gencor, the South African mining group, are setting up a joint venture to develop gold mines in the former Soviet Union. Page 28

**Stanhope wins breathing space**  
Stanhope banks agreed to extend the property developer's borrowing facilities until Thursday. Page 22

**Standard Life expands health side**  
Standard Life, the UK's largest mutual life insurer, is to inject a further £10m (£16.4m) into Prime Health, its health insurance subsidiary, to help its expansion in the intermediary market. Page 24

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### Chief price changes yesterday

FRANKFURT (DEM)	PARIS (FF)	
AD Tel & Verk	487 + 11	
BMW	720 + 9	
Daimler Benz	727.5 + 10.5	
Holsten Zim	1198 + 18	
Pharm	731 + 9	
Wolfsberg	740 + 7	
NEW YORK (d)		
Alcoa	594 + 14	
Chrysler	594 + 204	
US Steel	196 + 24	
Phelps Dodge	51 + 41	
3M	10 + 19	
Amgen	58 + 15	
Pharm	574 + 15	
NEW YORK (p)		
Alcoa	1020 + 22	
Chrysler	329 + 4	
US Steel	683 + 25	
Phelps Dodge	696 + 25	
3M	706 + 4	
Amgen	829 + 4	
NEW YORK (f)		
Alcoa	12 + 2	
Chrysler	61 + 5	
US Steel	879 + 26	
Phelps Dodge	181 + 21	
3M	2430 + 119	
Amgen	174 + 294	
NEW YORK (m)		
Alcoa	374 + 24	
Chrysler	6 + 8	
US Steel	96 + 8	
Phelps Dodge	58 + 5	
3M	685 + 28	
Amgen		

## ITT gambles on Caesars World

By Richard Tomkins in New York

ITT, the US conglomerate that has been seeking to expand in the leisure industry, is to buy Caesars World, one of the best-known names in gaming, for \$1.7bn in cash. ITT has agreed to buy the company for \$67.50 a share through a tender offer beginning on Friday. Caesars World's shares shot up 30% to 85% on the news, while ITT's eased 3% to 81%.

Caesars World had net income of \$78.4m on revenues of \$1bn in the year to last July. It has three casinos and hotel complexes - in Las Vegas, Atlantic City, and on the shore of Lake Tahoe in the Sierra Nevada. The biggest of the three, Caesars Palace in Las Vegas, occupies an 80-acre site on the famed Las Vegas Strip. It is based on an ancient Roman theme, with togas, chariot races and a massive chariot track in the center. Zagat, a US hotel guide, describes the hotel rooms as "like a bordello", with circular beds and overhead mirrors.

ITT's businesses include insurance, communications and information, automotive sales, fluid technology and defence. Recently, however, it has been trying to expand in the growth sector of leisure and entertainment, where it is already active through its ownership of the Sheraton hotel chain. Earlier this year ITT began the process of taking over Ciga, the Italian luxury hotel group, of which it now owns 70 per cent. In August it acquired the Madison Square Garden sports and entertainment complex in New York for \$1.1bn in partnership with Cablevision Systems, a US cable television company.

In September ITT said it was seeking buyers for its financial services subsidiary, ITT Financial, in a sale that could fetch \$3bn-\$4bn. It wanted to use the funds to expand its leisure interests further. ITT is already in the gaming industry: it owns the Sheraton Desert Inn hotel and casino complex in Las Vegas and a riverboat casino in Tunica, Missouri.

In May it said it was going to build a \$750m Desert Kingdom hotel and casino complex in Las Vegas, but in October it cancelled the plans. Yesterday's agreement indicated that ITT now plans to buy existing gaming interests rather than build its own. ITT expected the acquisition to be non-dilutive and to add to earnings in the first year. It said the combination of Caesars World with Sheraton would create one of the world's strongest hotel and gaming businesses. Lex, Page 16

## Warburg director to leave in bond shake-up

By John Gapper, Banking Editor, in London

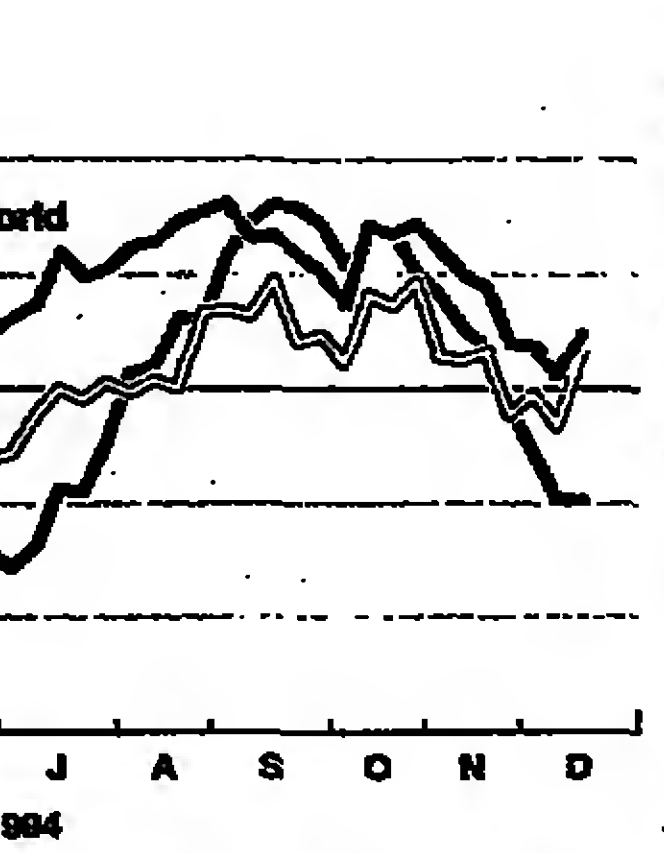
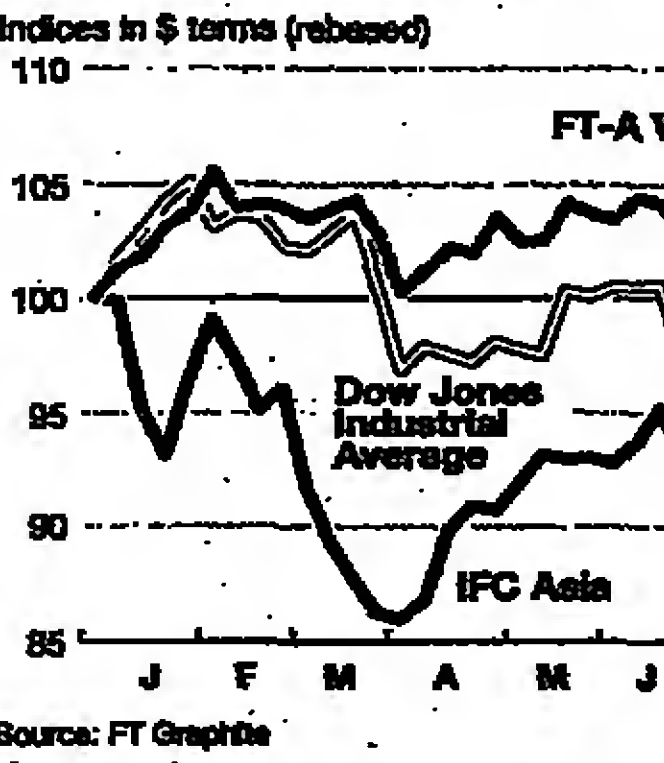
S.G. Warburg, the UK-based investment bank, yesterday signalled a shake-up of its bond operations after the collapse of its planned merger with Morgan Stanley by replacing the heads of its fixed-interest and treasury divisions. The investment bank brought in Mr David Burnett, the head of its UK equities business, to take over from Mr Peter Bass and Mr Peter Twachtman. He is expected to re-structure bond operations, which have performed poorly this year.

## Peter Montagnon reports on how global ripples alter prospects

Five years ago, says one Asian stockbroker, it would have been unthinkable for the region's markets to have tumbled on the news that a local authority in the US had gone bankrupt. That this has been the case with California's Orange County is an indication of how global markets have become. Asian shares fell sharply as Orange County's troubles hit the headlines with Hong Kong particularly badly affected, though many have since recovered some lost ground as Wall Street rallied and bargain hunters stepped in.

## Asian markets feel the squeeze in a small world

The ties that bind



which this is affecting Asian investments is the way it has exposed large individual stocks such as Indonesia's Indosat in which foreigners have a sizeable stake. Indosat fell 14 per cent in the first 12 days of December, though it has since made up part of the drop. Similarly liquid markets such as Hong Kong have also taken a hammering. On this basis it would appear that the markets least at risk are those such as South Korea and Taiwan which are insulated from the ebb and flow of foreign liquidity by regulatory controls on overseas investment. But others will not necessarily recover automatically. Part of the question is whether US buyers will return in force at all if higher interest rates make equity investment generally less fashionable in the US than investment in bonds and money market instruments.

Mr Angus Armstrong, Morgan Grenfell's economics director in Hong Kong, argues that Asian equity markets still do not look that cheap, not least because higher interest rates reduce the earnings multiple at which they become attractive. The real question, he says, is where the capital flows will go. "The markets which will suffer most are those which have been most exposed to international capital flows." Markets where currencies are formally or informally aligned to the US dollar are particularly vulnerable to repatriation of foreign investment. This category, he says, includes Singapore, Malaysia and Thailand as well as Hong Kong.

There are regional factors. Overshadowing the Hong Kong market, for example, are worries that China's economy might be heading for a hard landing. The Chinese companies which are quoted there make up for a small proportion of total capitalisation, but they have been particularly hard hit in recent weeks as worries have grown about the ability of state enterprises to service their debts and about the cavalier way China has treated some foreign investors such as the restaurant chain McDonald's which has had its lease in Beijing terminated. There remains a risk that China will fail to get to grips with the twin problems of controlling inflation and raising in state enterprises. If that happens the repercussions would be felt further afield, given the extent to which companies from countries such as the Philippines, Taiwan and Singapore have invested in China. Malaysia has also disappointed this year. Some investors hope that elections expected next year will help lift share prices as political parties step up their spending to win voter support. The same could be true of Thailand where the coalition government is in disarray and where, according to Asia Equity's Mr Bates, an election adds half a percentage point to gross domestic product. Another worry is that Japanese investment in the region could slow when the yen starts to weaken. The easier situation facing Japanese companies would be good news for Tokyo equities, but higher exchange rates would erode the competitive advantage of other Asian countries.

Mr Twachtman, a board director who has been with Warburg for 26 years, is leaving the bank after being told the news on Friday. Mr Bass is to take a position in Warburg's US arm, a move he was already planning. Before taking over Warburg's UK equities business, Mr Burnett's job was to re-shape the Tokyo equities operation. He is given credit for returning it to profit, and re-shaping it after the Japanese equity market collapse. Warburg told staff in an internal note yesterday that Mr Burnett's task "in the face of continuing difficult market conditions" was to "reinvigorate and renew" the firm's fixed interest operation. The shake-up was planned before the collapse of the merger plans last Thursday, but was implemented when Warburg's board met to consider Morgan Stanley's merger pull out. Warburg has a strong presence in sterling Eurobonds, and is a gilt-edged market maker. However, its operations in other European government bonds are likely to be reviewed.

Warburg's US operation, employing more than 800 staff, could also face further changes. It has expanded rapidly in the past two years under Mr Tom Wyman, a Warburg vice-chairman, who has been in charge of building its US presence. Mr Wyman said yesterday that Mr Bass's new role was "not exactly" decided. He said Warburg would continue its growth in the US. He said there was unlikely to be a change in the balance of control between London and New York. "I would not be here if I was not convinced that functional management in London would be taking control in a decisive way," he said. Sir David Scholey, Warburg's chairman, said on Friday that Warburg intended to resume a strategy of independent expansion "with adaptations and variations". The bank's shares yesterday closed 23p down at 685p.

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## Trafalgar launches power bid

By Michael Smith and David Wighton in London

Northern Electric, the regional power distributor for north-east England, yesterday rejected a \$1.2bn (\$200m) offer from Trafalgar House.

Northern's board said it could see no advantage to its shareholders in becoming part of a "financially challenged conglomerate, effectively controlled by an offshore minority shareholder".

Hongkong Land, a subsidiary of Bermuda-based Jardine Matheson, has a 25 per cent stake in Trafalgar, which has interests in construction, property, engineering and shipping.

If Trafalgar succeeds with its bid, signalled last Wednesday but officially launched yesterday, it intends to offer a £20 rebate to each of the utility's 1.3m to 1.4m customers. Mr Brian Wilson, Labour party industry spokesman, called for

interest-bearing bonds which give them rights to shares in the National Grid, 6.5 per cent of which is owned by Northern, if it is floated next summer. For these purposes, Trafalgar estimates that each Northern share contains £2 for the Grid element. This implies a market capitalisation for the Grid of about £3.5m against estimates of more than £4m. Hongkong Land has agreed to buy the first £30m of preference shares to meet elections for the cash alternative. Following implementation of the offer, it could hold up to 31 per cent of the ordinary shares of Trafalgar assuming full conversion. However, it said it had "no present intention" of holding more than 30 per cent of ordinary shares. Trafalgar is advised by Swiss Bank Corporation and Northern by S.G. Warburg. Observer, Page 15; Lex, Page 16; Background, Page 22

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## INTERNATIONAL COMPANIES AND FINANCE

## Bertelsmann seals Ricordi takeover

By Andrew Hill in Milan

Bertelsmann, the German media and publishing group, is to merge Ricordi, one of the oldest and best-known names in Italian music publishing, with BMG Arvola, its Italian subsidiary. This completes the friendly takeover launched in August.

The German group also announced yesterday that BMG Ricordi, as the new company will be known, would seek strategic partners from the retailing sector to help develop Ricordi's chain of music and book stores across Italy.

The sum paid by Bertelsmann for a 74.3 per cent stake in Ricordi has never been revealed, but the purchase this

summer prompted a bout of patriotic distress in Milan, where the publisher is based. The merged group will have combined sales of more than 1,350m (\$214m) and just under 1,000 employees.

Established at the beginning of the last century, Ricordi is closely linked with the world-famous opera house of La Scala.

In the second half of the 19th century, Ricordi's position as official printer of some of Italy's best-known composers, such as Rossini, Bellini, Donizetti and Verdi gave the publisher a virtual right of veto over the choice of works for La Scala's operatic season. Since then it has diversified into popular music.

Mr Arnold Bahlmann, senior

vice-president of BMG International, which groups Bertelsmann's music publishing interests, confirmed yesterday that the German company had bought up the minority interests in Ricordi and owned 100 per cent of the parent company, G Ricordi.

However, Mr Bahlmann reassured Italians that after the merger the artistic heritage of Ricordi would be preserved through a separate subsidiary called Casa Ricordi, which would group together the classical sheet music activities of the publisher, and the collections of valuable manuscripts and documents.

"Neither the composers, nor the manuscripts, nor the money are leaving Italy, because we have invested a lot

in the country and we want to earn it back," he said.

Apart from Casa Ricordi, BMG Ricordi will concentrate on four core areas - records, pop music publishing, video and multimedia - which it hopes will dovetail with Bertelsmann's international publishing and multimedia ambitions.

Mr Bahlmann said the group wanted to realise the potential of the 23 Ricordi shops in 15 Italian cities, four of which have been turned into multimedia megastores.

He admitted the German group did not have retailing expertise, and was seeking a partner. Negotiations have not begun, but the group had received some expressions of interest.

## Serafino Ferruzzi on brink of liquidation

By Andrew Hill

Creditors of Serafino Ferruzzi, the private holding company which once controlled the Ferruzzi family's business empire, yesterday gave notice that they intended to put the company into liquidation.

The move would finally cut the Ferruzzi family's financial ties with the Ferruzzi-Montedison industrial group, which came within hours of filing for bankruptcy last year, brought to its knees by alleged corruption and mismanagement.

Creditor banks yesterday told the Ravenna bankruptcy court which has been hearing the case that they were intending to liquidate Serafino Ferruzzi. The move was backed by Ferruzzi Finanziaria (Fefin), the quoted holding company in which Serafino still has a 12 per cent stake.

Italian news agencies said the Ferruzzi family's representatives supported liquidation, which requires formal approval by the regulatory authorities. Shareholders would nominate a liquidator at a special assembly, probably before the end of the year.

The trigger came at the weekend when Fefin's directors reluctantly agreed to renounce L326bn (\$199m) owed to Fefin by Serafino, and write off a L100bn issue of Serafino bonds held by a related company.

In exchange, the family company will write off a L169.5bn Fefin debt. Mr Guido Rossi, Fefin chairman, held out against such a solution until the weekend when it became clear that otherwise Fefin might have to repay the debt to Serafino, without recovering what it was itself owed.

Fefin said the net write-off would affect the group's 1994 accounts. Fefin was expected to record a net loss for the year. The company said that loss would still be lower than in 1993, in spite of the unexpected increase in extraordinary charges.

The 12 per cent stake in Fefin is likely to be taken up by the banks, which are the holding company's largest shareholders.

## Ahold's US properties may be put into investment fund

By Ronald van de Krol

Ahold, the Dutch food retail group which operates six supermarket chains in the US, may hive off some of its US properties into a property investment fund.

A decision on the fund, which would be opened to participation from institutional rather than private investors, is expected in early 1995.

The company is discussing the idea with Dutch institutional investors.

Ahold declined to say how much money it hoped to raise

through the investment fund. However, it said it was not likely to seek a listing for the fund.

The company operates 800 supermarkets in the eastern US, making it one of the 10 largest food retailers in the country. Some of these properties are owned outright, while others are leased.

A study into a US property fund got under way several weeks ago, in response to keen interest among Dutch institutional investors for new property funds, particularly in the US.

Ahold said it was too early to say how many of the properties on which its US supermarkets are located might be transferred to the fund.

It would not comment on a report in the Dutch property trade magazine *Vastgoed Markt* which said the fund would start with assets of \$100m divided over 10 supermarket properties.

The company's 600 US stores are in six regional chains from South Carolina to New England. The US supermarkets generate about half of Ahold's annual turnover.

## Eni sees profit rising to more than L2,500bn

By Andrew Hill

Eni, Italy's state-owned chemicals and energy group, said yesterday it was heading for a net consolidated profit of more than L2,500bn (\$1.53bn) for 1994.

The announcement was made to 100 top managers of Eni at a convention last week, and is the latest in a series of optimistic statements intended to smooth the way for partial privatisation of the group next year.

Eni said turnover would rise to L54,500bn for 1994, in spite of the continuing programme of asset sales and winding-up of subsidiaries. The group, still burdened by debt, returned to profit in 1993 when it made L419bn after tax, on turnover of L53,900bn.

The Italian government has put the most profitable oil and gas divisions of Eni on the list for privatisation during 1995, but the timetable is crowded by other proposed sell-offs.

However, Eni said the group had "the wind in its sails". Its divestment programme has raised some L4,100bn since September 1992, helping reduce debt in 1994 by L3,000bn to L25,000bn. The quoted chemicals subsidiary, Enichem, had returned to operating profit following an extensive restructuring.

## Coflexip merges with Stena unit

By David Lascelles, Resources Editor

Coflexip, the French oilfield services company, yesterday completed a \$30m merger with Stena Offshore, the offshore contracting arm of Stena of Sweden.

The two companies claimed the deal would create Europe's largest offshore contracting company, and the world's seventh largest by market capitalisation.

The merger was financed by issues of shares and convertible Coflexip stock which, when fully exercised, will give Stena 32 per cent of Coflexip.

Coflexip, which specialises in flexible sub-sea pipework, is based in Paris and had sales of \$373m and profits of \$38m in 1993. About 40 per cent of its business is in the North Sea. It also has facilities in Australia, Brazil, Singapore and the US.

Stena Offshore specialises in sub-sea contracting in the North Sea. Revenues in 1993 were \$321m and operating profit \$34m. The company has its headquarters in Aberdeen, Scotland, and employs 1,600.

Mr Derek Leach, vice-president of marine and north sea operations for the combined group, said the merger reflected the changing condi-

tions of the offshore contracting market, where weak oil prices were putting pressure on exploration and forcing companies to cut costs.

Increasingly, he said, oil companies wanted contractors who could provide complete solutions for offshore work.

In addition, the declining size of new finds in the North Sea meant more wells were serviced by seabed technology rather than platforms. "This is a market niche where both companies are market leaders," he said.

The combined company will be known as Coflexip/Stena Offshore.

## Arcon boardroom dispute settled

By Kenneth Gooding, Mining Correspondent

The boardroom upheaval at Arcon International Resources, the Irish company in which Mr Tony O'Reilly, chairman of Heinz Foods, has a 23 per cent stake, has been settled with "an amicable and confidential agreement" and the immediate resignation of four directors.

All four have been associated with the company since it was founded as Conroy International.

They are Mr Richard Conroy, former chairman and chief executive; his brother Mr Desmond Conroy; Miss Maureen

Jones, director responsible for administration and management; and Mr James Jones, director responsible for finance.

Arcon issued an agreed statement saying they would "pursue other business interests".

The boardroom split came into the open in October when Mr Richard Conroy, Miss Jones and Mr James Jones, resigned their executive roles claiming that, in their opinion, Arcon had "unilaterally and wrongfully repudiated their contracts".

Mr Brendan Gilmore, one of Mr O'Reilly's close confidants, was immediately appointed chairman and chief executive.

Arcon is preparing to start a \$85m lead-zinc mine at Galmoir in County Kilkenny, Ireland's first new base metals mine for 20 years.

With his associates, Mr O'Reilly controls 29.9 per cent of the company while Outokumpu, the state-owned Finnish resources group, owns 21.6 per cent.

Mr Richard Conroy, with associates and family, owns about 5 per cent. He set up Conroy, an investment company, two years ago. Among other interests, it has large mineral claims in Finland where it is looking for gold and diamonds.

## Danisco exceeds expectations

By Hilary Barnes in Copenhagen

Danisco, Europe's fourth largest sugar producer, lifted pre-tax profits in the half-year to October 31 by 25 per cent to DKKr568m (\$92m) from DKKr453m, better than the company had predicted.

The group forecast a rise in profits of between 15 per cent and 20 per cent for the full year, an upward adjustment of earlier forecasts.

Group sales increased 10.5 per cent to DKKr7bn from DKKr6.33bn.

The group has interests in sugar, distilling, snacks, frozen pea production, food ingredients and packaging. All did better than last year, according

to the interim report. Food and beverages sales increased to DKKr4.2bn from DKKr3.67bn and operating profits rose to DKKr504m from DKKr394m. Sugar sales were strong in the first half, but are expected to dip in the second half because the best harvest was below normal.

The group said Sweden's decision to join the EU would have a positive impact on results. Danisco acquired Socker Bolaget, the Swedish monopoly sugar producer, two years ago and is in a position to consider structural changes in the Swedish industry, the interim report said.

In Germany, rationalisation at factories in eastern Germany has been completed.

Danisco's EU sugar quota in Denmark is 425,000 tonnes. The group said production would exceed this but would not reach last year's 521,000 tonnes. In Germany, the quota was 128,000 tonnes, but production this year would not be more than 105,000 tonnes. In Sweden, production this year is expected to be about 330,000 tonnes, about 50,000 tonnes less than in 1993-94.

Grinstad Products, the food ingredients company, which produces enzymes for food processing, increased sales to DKKr1.0bn from DKKr980m and operating profits to DKKr160m from DKKr152m.

The packaging division increased sales to DKKr780m from DKKr720m.

## Ascom appoints chief executive

By Ian Rodger in Zurich

Ascom, the troubled Swiss telecommunications equipment group, has appointed Mr Hans-Ulrich Schroeder as its chief executive. He is currently head of the German unit of Alcatel, the French telecoms group.

Mr Schroeder, a Swiss, will replace Mr Fred Suter, a long-serving Ascom executive who stepped in a year ago when Mr Leonardo Vannotti was sacked.

The Swiss group, which has suffered two years of losses and business and management upheavals, said it had returned

to profit in 1994 while net debt had been cut by one-third to about SFr600m (\$451m) in the past 12 months.

Ascom is the product of a 1987 merger of three traditional protected suppliers to the Swiss PTT. It has been struggling to develop a strategy to cope with liberalised telecommunications markets.

In the wake of Mr Vannotti's departure and a 1993 loss of SFr336.7m, it was suggested the group be broken up. But the directors approved restructuring, recognising the customer base was too small to support a full range of tele-

coms activities. Ascom has sold off and closed several activities, and concentrates on three product lines: telephone sets and related systems, corporate network systems, and coin- and card-operated telephones and vending machines. Georg Fischer, the Swiss foundries and engineering group, is to acquire Schubert & Salzer Eisenwerke, a Leipzig-based iron foundry that makes cast iron components for heavy vehicles and construction machinery. The foundry employs 800 and 1994 sales are expected to be DM65m (\$41.4m).

This announcement appears as a matter of record only.

December, 1994

## Saga Petroleum a.s.



US \$850,000,000  
7 year Revolving Credit Facility

## Arrangers

ABN AMRO Bank N.V. Barclays Syndications Deutsche Bank AG London

## Co-arrangers

Christiania Bank og Kreditkasse Den norske Bank

## Lead Managers

ABN AMRO Bank N.V. Barclays Bank PLC Deutsche Bank AG London  
Christiania Bank og Kreditkasse Den norske Bank

Bayerische Landesbank Girozentrale Citibank International plc  
Commerzbank Aktiengesellschaft The Fuji Bank, Limited  
The Industrial Bank of Japan, Limited The Royal Bank of Scotland plc  
The Sakura Bank, Limited Scotiabank (Ireland) Limited

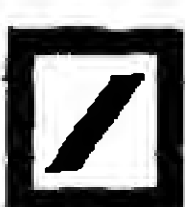
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PaineWebber International (UK) Ltd.  
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The Fixed Income Division  
Finsbury Dials  
20 Finsbury Street  
London EC2  
071-814 9360

The Equity Division  
1 Finsbury Avenue  
London EC2  
071-422 2000

We would like to take this opportunity to thank our clients for their support, and wish you a successful and prosperous 1995.







## INTERNATIONAL COMPANIES AND CAPITAL MARKETS

## Moore reduces stake in business-forms partnership

By Bernard Simon in Toronto

Canada's Moore Corporation has taken a big step towards shifting its emphasis from paper forms to more sophisticated information-handling systems by selling the bulk of its stake in Toppan Moore, Japan's biggest business-forms supplier.

Moore will receive Y34.4bn (\$243m) from the sale of 35 per cent of Toppan Moore to its Japanese partner, Toppan Printing. The deal, which will be completed early next year, will raise Toppan's stake in the joint venture to 90 per cent, leaving Moore with 10 per cent.

Toppan Moore has contributed an average of 10 cents a share over the past three years to Moore's annual earnings, which totalled US\$22.2m, or 93 cents a share, in the first nine months of 1994.

Moore had planned to reduce

its stake in Toppan Moore through a public share offering in Japan, but that was expected to take up to two years. "We have got the same deal, dealing directly with Toppan," Ms Shoba Khetrapal, Moore treasurer, said yesterday.

Moore, which claims to be the world's largest supplier of business forms, is undergoing a shake-up spearheaded by Mr Reto Braun, who took over as chief executive in late 1993. The Toronto-based company unveiled a new business plan earlier this year to keep abreast of the shift from paper to electronic information sources.

It aims to concentrate on three businesses: forms and form-management systems; labelling systems, including bar-codes, and customer communications, such as direct mail.

The proceeds of the Toppan

Moore sale will be used for acquisitions in these fields, including further investments in Japan and other Asian countries. Moore recently bought a 60 per cent stake in a new information-handling systems joint venture in China. Its partner is Shanghai Jielong Industry Corporation.

As part of its new strategy, Moore has also bought a 20 per cent stake in JetForm, an Ottawa-based specialist in electronic forms technology, and has formed an alliance with Datamax of Orlando, Florida, to develop a thermal bar-code printer for linerless labels.

Mr Braun aims to expand revenues by 10 per cent a year for the next five years, with more than half the growth coming from alliances and acquisitions. Moore's sales totalled almost \$1.5bn in the period January-September 1994.

## Ben &amp; Jerry shares fall after loss warning

By Richard Tomkins in New York

Ben & Jerry's Homemade, the US ice-cream company famous for its oddball approach to business, yesterday surprised the stock market by warning that it expected to turn in a net loss of between \$700,000 and \$900,000 in the quarter to December because of a downturn in sales.

The company said it had maintained its 42 per cent share of the super premium ice-cream market, but the sector as a whole had shrunk because of exceptionally heavy promotional activity by competitors in the premium sector. As a result, the company's sales were down by 5 per cent.

Ben & Jerry's shares, which traded at nearly \$34 at the height of the company's growth in 1993, plunged \$1 to \$30 after the announcement. Ben & Jerry, which donates 7.5 per cent of its pre-tax profits to charity, has grown rapidly since its inception in 1978. It made net profits of \$7.2m on sales of \$140.5m last year. But it has recently been struggling to maintain its momentum.

Earlier this year Mr Ben Cohen, one of the founders, announced that he was stepping aside as chief executive and invited applicants to send in essays explaining in 100 words: "Why I would be a great CEO for Ben & Jerry's". The job has not yet been filled.

Yesterday Mr Chuck Lacy, chief operating officer, said the super premium category had been sluggish this year because of "unprecedented" promotional activity in the premium sector.

In last year's fourth quarter Ben & Jerry's made net profits of \$1.1m.

## Dealers switch focus to euroyen

By Graham Bowley

Activity in the eurobond market yesterday was quiet in the run-up to Christmas, with only a small number of deals in Europe and a \$100m floating-rate note signed in Asia by the Bank of Seoul.

## INTERNATIONAL BONDS

Attention is now turning to the new year, when dealers expect the euroyen market to provide most excitement. "The bid for yen is still strong," said one syndicate manager. He said that the two-tranche

Y120m six and 10-year offering launched last week by the Republic of Austria had been extremely well-received by investors. He expected "that sort of demand to continue both on an institutional basis and on a retail basis."

"There are a lot of borrowers looking at the yen market - such as Spain and the EIB [European Investment Bank]," said another syndicate official. "The swap levels there are attractive, particularly when other markets are less receptive," he said.

The prospect of increased yen-issuance was boosted by comments made by a Japanese Ministry of Finance official

that Japan is considering either easing or abolishing the "lock-up" period for euroyen bonds issued by non-sovereign foreign borrowers.

This move would help the distribution of eurobonds to investors in Japan. However, the official told Reuters that no specific timetable had been set. Restrictions on the purchase of euroyen bonds issued by sovereign borrowers were abolished in January this year.

Dealers also expect to see greater activity in the euro-dollar sector early next year, particularly in the five-year area of the yield curve. "We are seeing consistent interest in the dollar sector, and

recently there has been a lot of switching out of three-year and into five-year bonds," said one trader.

Germany's largest mortgage bank, increased its DM750m five-year offering launched last month to DM1bn, due to "exceptional demand from European retail and institutional investors," bank manager Commerzbank said.

Columbia's state Institute for Industrial Development is to issue a \$100m eurobond in February 1995, via Citibank, a finance ministry official told Reuters. The proceeds from the offering would be used to make long-term loans to industrial companies, he said.

## Toyota raises first-half forecast

By Emiko Terazono in Tokyo

Toyota Motor, the leading Japanese carmaker, has revised upwards its profit forecasts for the first half to December in spite of the yen's appreciation.

Mr Tatsuro Toyoda, president, said aggressive cost-cutting would lift consolidated operating and recurring profits, before extraordinary items and tax, to 10 per cent above the original interim forecast.

Non-consolidated recurring profits for the interim period are now expected to rise 74.3 per cent from the previous year to Y145bn (\$1.44bn) while operating profits are estimated to increase nine-fold to Y85bn.

The company has reduced the variation in car models by

20 per cent and the number of parts by 30 per cent.

The cost-cutting helped Toyota's foreign exchange loss, which had arisen as a result of the company basing its initial forecasts on a yen/dollar rate of Y108, against the actual Y98 through the July-December period.

Mr Toyoda was confident about the company's domestic sales and overseas manufacturing. He forecast that domestic sales in the year to next December would climb 10 per cent from a year earlier to 2.24m vehicles, after falling 1 per cent this year to 2.04m.

Overseas production, which rose 19 per cent to 1.05m units this year, is expected to increase by 18 per cent to 1.25m in 1995.

However, domestic production and exports from Japan are expected to continue to be weak. Domestic production, which fell 1 per cent to 3.51m vehicles this year, is projected to decline 3 per cent to 3.42m next year while exports, which fell by 2 per cent to 1.51m this year, are forecast to tumble 17 per cent to 1.25m next year.

● Honda Motor of Japan yesterday signed an agreement with Turkey's Anadolu Endustri Holding to set up a joint venture to manufacture and market motorcycles in Turkey.

The Japanese company said the two companies would modify an existing plant owned by Anadolu to start producing 125cc motorcycles in mid-1995 at an initial rate of 6,000 units a year.

Earlier this year Mr Ben Cohen, one of the founders, announced that he was stepping aside as chief executive and invited applicants to send in essays explaining in 100 words: "Why I would be a great CEO for Ben & Jerry's". The job has not yet been filled.

Yesterday Mr Chuck Lacy, chief operating officer, said the super premium category had been sluggish this year because of "unprecedented" promotional activity in the premium sector.

In last year's fourth quarter Ben & Jerry's made net profits of \$1.1m.

## Traders await FOMC meeting

By Lisa Brannstrom in New York and Martin Brice in London

Over the past two weeks, many have reversed their bets about a December rate increase - and the yield spread widened modestly - as mild inflation numbers convinced many that the central bank might wait for the new year to put rates up again.

US Treasury prices were mostly flat in quiet trading yesterday morning ahead of today's meeting of the Federal Reserve's policy-making committee.

At midday, the benchmark 30-year government bond was up 1/4 at 96 1/4, yielding 7.537 per cent. At the start and end of the market, the two-year was unchanged at 92 1/2, yielding 7.563 per cent.

There was some short-covering as traders prepared for the Fed's open market committee meeting. For weeks the market has been up and down on speculation about whether the Fed would raise rates.

In November the Fed finally convinced investors that it would hold the line against inflation, which caused the yield spread between the two-year and the 30-year bond to fall sharply as traders bet that the Fed might raise rates in December. A halting yield curve is interpreted as a signal that the market expects economic slowing.

## Fisons and RPR abandon US venture

By Daniel Green

Rhône-Poulenc Roror (RPR), the drugs arm of French chemical company Rhône-Poulenc, and Fisons of the UK, have abandoned a pharmaceuticals joint venture in the US.

Fisons' most important drug, asthma treatment Tilade, and RPR's Azmacort will now no longer be sold by each other's sales teams.

Fisons said yesterday the change followed the transformation in the US healthcare market, where individual doctors are being replaced as drug buyers by health management organisations.

This required smaller, more specialised sales teams, said Fisons. The company last summer cut its US sales force by almost 10 per cent.

Fisons is undergoing a detailed strategic review which may lead to a radical reorganisation in the next few months.

RPR and Fisons still have a joint marketing agreement in Europe.

## WORLD BOND PRICES

## BENCHMARK GOVERNMENT BONDS

Coupon	Red Date	Days	Price change	Yield	Week ago	Month ago
Australia	8.500	09/04	92.5900	+0.120	10.22	10.59
Belgium	7.750	10/04	95.5300	-0.370	8.26	8.29
Canada	6.000	12/04	94.4000	-0.250	8.02	8.16
Denmark	7.000	12/04	85.4200	-0.080	8.79	8.57
France	8.000	05/08	100.8200	-0.190	7.88	7.27
Germany Bund	7.500	04/05	95.4400	-0.580	8.16	8.03
Germany Bund	7.500	10/04	100.1800	-0.300	7.47	7.58
Italy	4.500	08/09	103.6400	-	3.91	3.95
Japan	4.100	10/04	95.4000	-0.250	8.02	8.16
Netherlands	4.250	10/04	97.2800	-0.080	7.85	7.61
Spain	7.250	10/04	90.0000	-0.080	7.85	7.61
UK Gilt	10.000	02/05	90.4000	-0.050	11.33	11.22
US Gilt	6.000	06/09	90.21	+0.22	8.47	8.38
US Treasury	8.750	10/04	96.17	+0.32	8.48	8.51
US Treasury	9.000	10/08	104.09	+0.32	8.47	8.54
US Treasury	7.875	11/04	100.14	-1.02	7.81	7.86
US Treasury	7.500	11/24	98.02	-0.32	7.84	7.82
US Treasury	6.000	04/04	93.9700	-0.310	6.55	6.44

Source: French Govt  
London clearing, "New York and  
London clearing, "New York and  
London clearing, "New York and

Yields: Local market standard  
Yields: Local market standard  
Yields: Local market standard

## US INTEREST RATES

Instrument	One month	Three month	Six month	One year	Two year	Three year	Five year	Seven year	Ten year
Prime rate	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
90-day T-bill	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
1-year T-bill	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
2-year T-bill	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
3-year T-bill	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
5-year T-bill	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
7-year T-bill	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2
10-year T-bill	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2

## BOND FUTURES AND OPTIONS

Instrument	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Dec	112.14	112.06	-0.02	112.14	112.02	14,369	20,393
Mar	111.28	111.28	-0.40	111.28	111.08	98,065	133,752
Jun	110.54	110.54	-0.40	110.54	110.24	2	2,995

## LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Jan	Feb	Mar	Jun	Jul	Aug	Sep	Oct	Nov	Dec
110	0.44	-	-	-	-	-	-	-	-	-
112	0.01	-	-	-	-	-	-	-	-	-
114	0.01	-	-	-	-	-	-	-	-	-

## NOTIONAL GERMAN BUND FUTURES (LIEFF)

Instrument	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	98.95	98.70	-0.21	98.08	98.58	39,238	172,818
Jun	98.10	98.10	-0.21	98.10	98.10	0	765

## BUND FUTURES OPTIONS (LIEFF)

Strike Price	Jan	Feb	Mar	Jun	Jul	Aug	Sep	Oct	Nov	Dec
98.00	0.22	0.70	0.59	1.18	0.12	0.59	0.79	1.56	-	-
98.00	0.05	0.04	0.14	0.38	0.38	0.34	1.04	1.35	-	-
98.00	0.03	0.03	0.03	0.78	0.23	1.15	1.53	2.18	-	-

## UK GILTS PRICES

Instrument	Yield	Price	Change	High	Low	Est. vol.	Open Int.
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000

## ITALY

Instrument	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	98.12	98.00	-0.41	98.12	98.75	13,393	46,727
Jun	98.12	98.00	-0.41	98.12	98.75	0	20

## ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIEFF)

Strike Price	Jan	Feb	Mar	Jun	Jul	Aug	Sep	Oct	Nov	Dec
98.00	1.77	2.19	1.77	2.19	2.19	2.19	2.19	2.19	2.19	2.19
98.00	1.23	1.78	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23

## SPAIN

Instrument	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Dec	98.03	98.07	-0.24	98.03	98.32	21,272	14,419
Mar	98.05	98.07	-0.19	98.10	98.78	18,979	37,587

## UK

Instrument	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Dec	102.28	102.31	+0.04	102.30	102.27	417	17,918
Mar	102.07	102.10	+0.05	102.10	102.00	12,093	104,469

## LONG GILT FUTURES OPTIONS (LIEFF)

Strike Price	Jan	Feb	Mar	Jun	Jul	Aug	Sep	Oct	Nov	Dec
102.00	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
102.00	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02

## ECU BOND FUTURES (MATIF)

Instrument	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Dec	81.44	81.38	-0.06	81.46	81.26	796	1,218

## US TREASURY BOND FUTURES (CBT)

Instrument	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Dec	100.00	100.01	+0.01	100.01	99.90	6,910	33,110
Mar	99.14	99.16	+0.01	99.16	99.11	233,571	354,234
Jun	99.31	99.31	-	99.31	99.30	614	18,174

## JAPAN

Instrument	Open	Settle	Change	High	Low	Est. vol.	Open Int.
Mar	108.25	108.25	-	108.25	108.24	1407	0

## OTHER FIXED INTEREST

Instrument	Yield	Price	Change	High	Low	Est. vol.	Open Int.
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000
10-year Gilt	5.12	102.10	+0.10	102.10	102.00	1,000	1,000

## FT-ACTUARIES FIXED INTEREST INDICES

Instrument	Open	Settle	Change	High	Low	Est. vol.	Open Int.
1 Up to 5 years (24)	118.24	118.24	+0.05	118.24	118.24	1,114	6,594
2 5-15 years (22)	140.50	140.50	+0.16	140.50	140.50	4,672	4,672
3 Over 15 years (9)	158.50	158.50	+0.17	158.50	158.50	2,200	2,200



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FINANCIAL TIMES TUESDAY DECEMBER 20 1994

صباحنا من الامل

21

meeting

Fisons and  
RPR also  
US venture  
by Dan Lee

Meet Pharmacia.  
A citizen of the world  
striving towards life.

#### Towards life?

What a fine destination. The unrelenting struggle towards preserving health. Always striving to improve the quality of life.

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And why we are totally dedicated to this task.

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The lasting testimony of our efforts must certainly be the innovation of new and better treatments.

As we found out a long time ago, this means constantly searching for new ideas. Asking questions, but never settling on simple answers.

In fact, patients the world over are already experiencing the benefits of our struggle. Which is just as it should be.

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We are active in more than 100 countries, and lead the world in a number of specialist fields of therapy: Cancer, Growth hormone deficiency, Smoking cessation, Eye surgery, Clinical nutrition, and Allergy diagnostics. In addition, we are active in several therapeutic areas such as Thrombosis, Diseases of the central nervous system, Urological/gynaecological diseases, Rheumatism, Chronic bowel inflammation, Immunology. With a turnover of some SEK 27 billion, we rank today among the world's 20 largest pharmaceutical companies.

Pharmacia



## COMPANY NEWS: UK

# Banks agree three day extension for Stanhope

By Simon London,  
Property Correspondent

Stanhope yesterday won a three-day breathing space as banks agreed to extend the property developer's borrowing facilities until Thursday.

The company's £140m loans were due for repayment at 3.30pm yesterday. All 16 banks in its lending syndicate agreed to an extension early in the afternoon and a terse Stock Exchange announcement was issued just minutes before the deadline.

Stanhope, headed by Mr Stuart Lipton, will use the breathing space to answer detailed questions from the banks relating to refinancing proposals received last week.

If it can satisfy the banks, led by Barclays and advised by Barclays de Zoete Wedd, a three month extension of the

borrowing facility could follow. This would give Stanhope sufficient time to put one of the rescue packages into practice.

However, sources close to the negotiations said that some banks still needed to be finally convinced that refinancing would be a better option than receivership.

The main refinancing plans come from British Land, the property investment company headed by Mr John Ritblat, and Postel, the post office and telecommunications pension fund. The Postel plan envisages a rights issue of up to £250m, underwritten by the pension fund and other institutional investors.

Stanhope could then partially repay its banks and buy the 50 per cent it does not already own of Broadgate Properties, which owns much of the Broadgate and Ludgate office

developments in the City of London. The other half of Broadgate Properties is owned by Rosehaugh, Stanhope's former development partner which went into receivership in 1991.

British Land has offered the banks a cash-and-paper deal for Stanhope's existing half share in Broadgate Properties.

While both proposals were revised late last week to offer better terms to Stanhope's lenders, the banks would have to write off up to 20p in the pound on their loans.

Stanhope has also asked the banks to consider a debt standstill of up to three years, at the end of which they would receive full repayment.

The company believes it has found an investor willing to provide working capital during a standstill period in return for an equity stake.

## The Trafalgar House bid for Northern Electric: local reaction and funding details

### Bidder opts for derivatives contract

By David Wighton

Trafalgar House is planning to offset a large part of the expenses related to the offer for Northern Electric by entering into a derivatives contract with Swiss Bank, its financial adviser.

In return for an undisclosed fee, Trafalgar will benefit from any rise in the share price of Northern Electric and several other regional electricity companies over and above reference prices set when the contracts were struck a month ago.

Trafalgar expects to close out the contracts during the offer period.

It is thought to be the first bidder to use such "contracts for differences" which should reduce its costs whether the offer succeeds or fails.

Trafalgar opted for this mechanism rather than buy shares in the target in the market, the traditional method used by bidders to cover their costs.

Rival merchant bankers said it was a clever scheme which was likely to be copied.

"Buying shares before or at the start of a bid has become more difficult because institutions are increasingly loath to sell. And while picking up 2 or 3 per cent hardly makes much impact on the outcome it can still leave you with a hefty loss if the bid fails," said one investment banker.

The advisory side of Swiss Bank does not know how its derivatives arm has covered its position, if at all.

If it has bought Northern Electric shares, under the takeover code it will not be able to sell them to the offer until it goes unconditional.

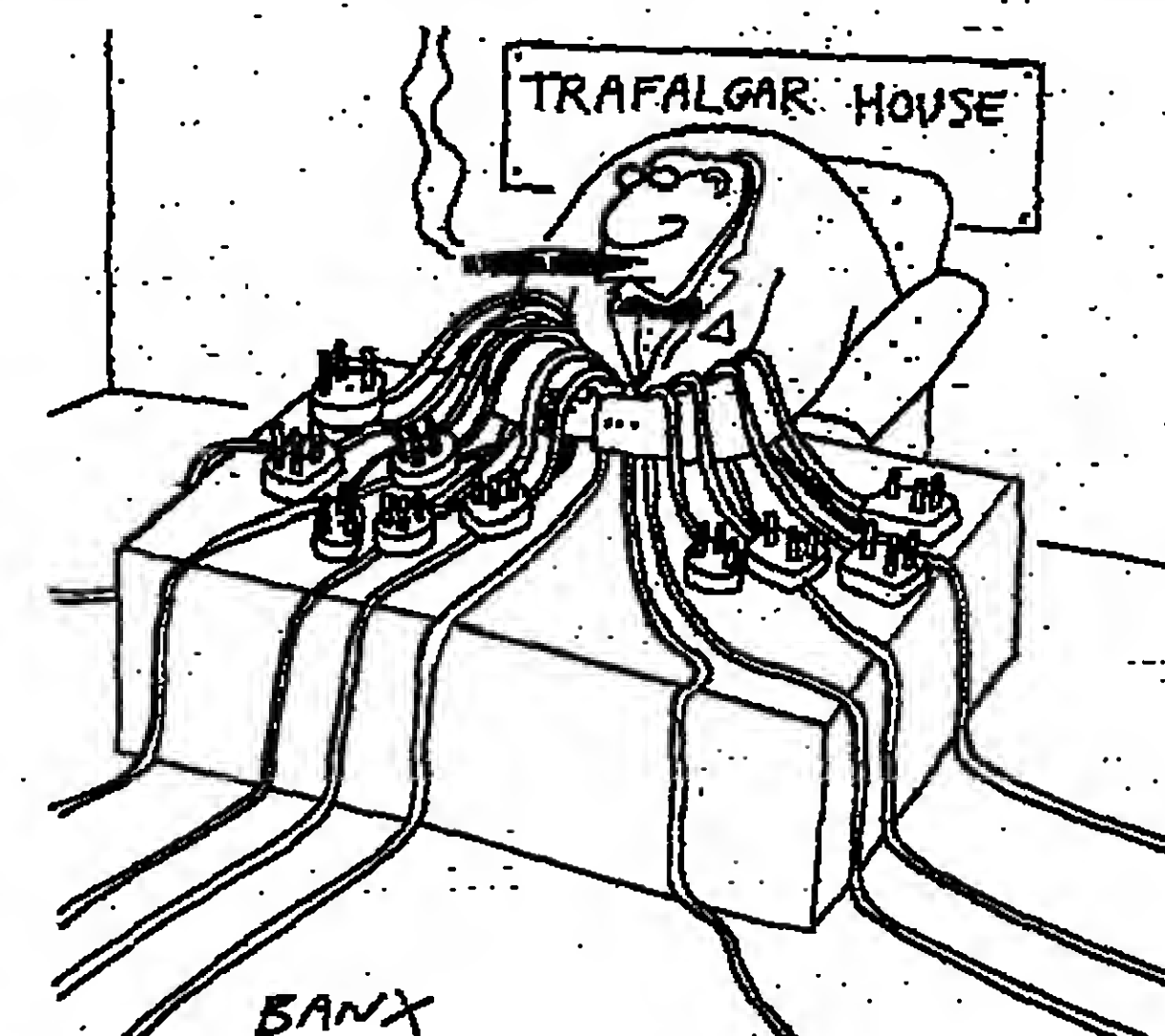
## Bridging the credibility gap

Chris Tighe considers the implications for the regional economy

This morning, the chairman and chief executive of Trafalgar House, the engineering and property conglomerate bidding for Northern Electric, will pose for photographs beside the Tyne Bridge.

In choosing this backdrop, the most evocative and immediately recognisable symbol of Tyneside, Trafalgar is acknowledging the importance of regional identity in its fight to buy the north-east of England's regional electricity company.

Trafalgar's choice of photo location is a bold attempt to emphasise its local links. In 1982 it took over Dorman Long, builder of the Tyne Bridge, and it now owns 14 companies in the region. These include Cleveland Structural Engineering, successor to the company which built two of the Tyne's other big bridges.



decision-making autonomy.

North-east England has only 24 plc's with local headquarters, of which Northern Electric is the largest. Despite some new listings this year, this figure has remained fairly static.

"It's sad that as soon as we tend to get them, a lot get taken over," said analyst John Dickinson, a director of stockbrokers Wise Speke, based round the corner from Northern's Newcastle headquarters.

Yesterday, Mr Arthur Ford, the Confederation of British Industry's northern region director, while stressing that he was not criticising Trafalgar, expressed concern at the loss of headquarters from the region.

"It's important that management expertise at the senior

level is held within the region because that influences investment in plants."

Newcastle-based Mr Mike Darrington, managing director of Greggs plc, Britain's biggest bakery chain, shares Mr Ford's apprehensions. "I don't like seeing businesses based in the north disappearing. I don't think it's good for the north, the power is moving away."

Mr Darrington, whose company spends £4m a year on electricity from a number of rees, including Northern, added: "As a customer I can't see any advantage to our business." He is concerned about investment plans under Trafalgar and the possible loss of competition between rees.

Emerging into the December chill from the showroom attached to Northern Electric's

headquarters - a showroom adorned with "Buy now, pay 1999" posters - fireman Mr Ken Gurling voiced similar concerns. "Trafalgar House have their fingers in so many pies. 'Electric companies should be electric companies'."

Mr Gurling and others questioned outside the showroom were unimpressed with Trafalgar's offer of £20 off their first electricity bill after the takeover. Loyalty to Northern was coupled with some opposition to the privatisation of the electricity industry.

Some feared further job losses. "I've had dealings with Trafalgar House; they're commercial, profit orientated. There would be job cuts," said interior designer Mr Richard Rycroft. The £20 was, he said, a "sweetener".

Labour's chief whip, Mr Derek Foster, was blunter still, calling it the "bride of the century" offered in an attempt to "hijack" one of the north's leading companies. Sale of the National Grid shares, added Mr Foster, could bring £225m into Northern's coffers.

Unions representing Northern's 4,000 employees are committed to fighting the bid. "The board is saying they also wish to retain independence, but our concern is that money talks," said Mr Dave Harrison, chairman of the joint unions.

Although the unions have been critical of Northern's plans, still under negotiation, to shed 800 jobs, they would prefer, he said, to see the company retain its independence. "It's a case of better the devil you know."

## Berisford statement on US acquisition expected soon

By Peggy Hollinger

Berisford International is expected imminently to make an announcement regarding the \$500m (£305m) takeover talks with Wellbit, the US kitchen equipment group. The talks are thought to be stalled on price.

Berisford, which yesterday requested a suspension of its shares at 228p after news of the deal was leaked in London at the weekend, is believed to have set a deadline for the negotiations.

Wellbit, which manufactures commercial kitchen equipment for fast food chains such as McDonald's and Burger King, yesterday sought to emphasise the uncertainty of the negotiations.

It issued a statement saying

there could be "no assurance that an agreement will be reached with respect to any such transaction, or that any such transaction will be consummated."

There was also speculation in the US that Wellbit had been in discussions with other parties about a possible takeover. Berisford yesterday denied any knowledge of potential rivals.

US analysts suggested that a price of \$35 a share, or roughly \$500m, would be enough to tempt Mr Jerome Kohlberg, Wellbit's 47 per cent shareholder. "At that price I do not think they would want to lose their bidder," said one.

However, there were some reservations over the possibility that a bid would have

to rely on a rights issue.

In the UK, however, investors have long known about the ambitions of Mr Alan Bowkett, chief executive, to build a global business in the services or manufacturing sectors.

He arrived almost three years ago, after a series of asset disposals rescued the former property and commodities group from the brink of collapse. At the time, he said he intended to build Berisford with finance raised from property sales or rights issues.

An attempt last year to take over C&J Clark, the shoe company, was unsuccessful.

Earlier this year, however, Berisford bought Magnet, the kitchen and joinery manufacturer and retailer, for £55m.

## Charge of financial engineering?

Trafalgar could offset its tax losses, writes Michael Smith

Mr David Morris, chairman of Northern Electric, has been involved in one hostile takeover bid before and, in that contest in the electrical engineering sector, he was with Delta when it bid unsuccessfully for Scholes in 1987.

"We are not going to lose this one," he said, as he launched an attempt to keep his company independent from Trafalgar House. His opponents are equally determined.

Yesterday's £1.2bn offer may be insufficient to win Trafalgar its quarry but analysts believe that the benefits of a takeover for it are such that it may be willing to offer more if pushed.

The bid will be watched closely throughout the electricity sector. The possibility of a white knight emerging from within the sector are being played down in the City.

Other putative intra-sector alliances, however, together with potential hostile bids from outside, will be given impetus by the bid, particularly if it is successful. What then are Trafalgar's chances?

It was still hopeful of a friendly merger, and was trying hard yesterday not to be hostile to Northern's management but a flavour of criticism inevitably crept through.

Mr Nigel Rich, chief executive, said that the industry regulator's decision to seek distribution price cuts of 17 per cent next April from Northern implied that Northern had much to do in cost cutting. Some regional companies face price cuts of just 11 per cent.

"Trafalgar's management is confident of its ability to help Northern run its business more efficiently," said Mr Rich. Analysts were more convinced about what Northern could bring to Trafalgar.

Mr Rich pointed to the combination of regulated and unregulated businesses and to the possibilities for combining the two companies' electricity expertise to expand overseas.

Any company would bring similar things. The unusual aspect of Trafalgar's proposal, can it offset tax losses against Northern's steady stream of earnings. Trafalgar has £323m of unrelieved advance corporation tax and tax losses which could be offset against trading profits and capital gains. Analysts estimate these could cut Northern's tax rate by up to 5 percentage points.

The capital losses could be put to use in the flotation of the National Grid, scheduled for May or June. Assuming the regional power companies have to pay about £1bn in capital gains tax, Northern's 6.5 per

cent share of that would be £65m, some or all of which could be offset by Trafalgar.

This may help to explain why Trafalgar decided to launch its bid more than three months before the expiry of the government's golden share.

Waiting longer could have meant foregoing the chance to offset Northern's Grid flotation tax bill.

In the forthcoming weeks Northern will undoubtedly use the "financial engineering" charge against Trafalgar. Sensitive to such charges, Mr Simon Keswick, Trafalgar chairman, said his company had no intention of asset stripping. "We want to keep the business," he said.

Northern will base its attack on Trafalgar's prospects, combined with a defence of its own record. "Nearly 80 per cent of the basic offer consists of paper of uncertain value," its directors said. However, this argument may prove of limited value given the cash alternative available which is a 28 per cent premium on Northern's share price a month ago.

In defending their record, Northern managers acknowledge that in the first two years after privatisation four years ago the company was rated below average by the sector but say it has been re-evaluated since and this has been reflected by a rise in its share price.

Mr Morris will be pointing to several distinguishing features about the company in a sector where 12 companies are constantly trying to differentiate themselves from each other.

It has, he says, been the most successful in increasing its supply business outside its area and it was the first to buy back its shares to cut the tax bills of shareholders.

Yesterday both Trafalgar and Northern were claiming comfort from Northern's share price which remained, at £10.18, up 33p on the day, below both the cash and convertible preference share price offered by Trafalgar.

Trafalgar believes it means the market approves its bid. Northern believes it means the market is concerned about the possibilities of Trafalgar clearing all the regulatory and fair trading hurdles in its way.

Either way there is plenty of time for arguments and share prices to change. Trafalgar said it did not expect to complete the takeover before the end of March when the government's golden share expires.

Shareholders can comfort themselves with the thought that they are not being forced to leap to decisions.

*These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States or to a U.S. person, absent registration or an applicable exemption from the registration requirements. All of these securities have been sold. This announcement appears as a matter of record only.*

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October 27, 1994

## MCIT calls for £70m

By Nicholas Denton

The revival of leveraged buy-outs in the US has led Mexican Capital & Income Trust 2001, the UK mezzanine finance trust, to seek up to £70m in new equity.

The trust, to be renamed MCIT, had raised £25m at the end of the third quarter, and the new issue effectively doubles its size.

MCIT proposes to raise up to £70m before expenses by way of a placing and open offer of up to 70m 5 income shares at 65p each and 70m 5 capital shares at 35p apiece.

The shares may be sub-

scribed for in the form of package units comprising one share of each class with an issue price per package unit of 100p.

Of the issue, shares to the value of £62.5m are being placed and shares worth a further £7.5m are subject to an open offer to shareholders.

MCIT had raised £25m at the end of the third quarter, and the new issue effectively doubles its size.

The issue is sponsored by Hambros Bank and distributed by SG Warburg.

MCIT is raising money on the back of a record of returns to investors that put it up close

to the top of league tables of investment trust performance.

Net assets have grown from £23m to £56m since the company's launch in 1986, giving a total return on net assets of 19 per cent a year. MCIT has invested in small ventures ranging from the Great American Cookie Company to the Yankee May Candy Corporation.

But MCI has found itself almost fully invested and unwilling to incur substantial debts. The trust has moved to expand its equity in response to an increase in proposals from Jordan/Zalaznick Advisers, its US investment adviser.

## McAlpine close to £45m deal on quarry products

By Christopher Price

Alfred McAlpine, the housebuilding and construction group, yesterday said it was in discussions to sell part of its quarry products business.

The deal, which will raise between £45m and £50m, will be signed with George Wimpey some time in January.

McAlpine said it had received an offer for the three regions of its quarry products business, covering the Midlands and south Wales, north Wales and Scotland. These accounted for turnover of about £30m and operating profit

of £1.2m in the year to June 30 1993. It has net assets of £27m.

Wimpey is thought to have beaten rival offers from Tarmac and Redland. Nineteen quarries are to be sold, dealing predominantly in sand, gravel and slate.

The company signalled it was considering its position in the quarrying products business at its year-end in February. It said then: "The fortunes of the quarry products business continue to be closely related to the level of demand from downstream construction activities which remained relatively subdued."

## Philip Green in Owen Owen deal

By Neil Buckley

Mr Philip Green, former head of Amber Day (now WEW) and present chairman of discount chain Xception, is going into department store retailing with the purchase of Owen Owen for an undisclosed sum.

Together with Mr David Thompson, WEW's former finance director, he has acquired the 13-store group from SPP-LET International.

Owen Owen's turnover last year was £17m, and although it made a loss of about £2m, Mr Green said he believed it could be made profitable by sharing distribution and administration costs with Xceptions.

## Fairhaven bid terms disclosed

By Geoff Dyer

Eagleview announced the terms yesterday of a paper and cash offer for Fairhaven International, the Bermuda-registered holding company which has OGC International, the oil services group, as its main asset.

The offer, which was first revealed on November 9, values Fairhaven at £71m.

Eagleview, which already owns 28.5 per cent of Fairhaven, is controlled by Mr Fred Olsen, the Norwegian shipping magnate. Through other interests, Mr Olsen controls 75 per cent of Fairhaven. The offer is designed as a tying-up exercise for Olsen interests and a means of taking Fairhaven private.

Eagleview is offering one OGC share for every five Fairhaven shares, giving them a value of about 25p.

This is a 30 per cent premium over the price of 23½p that Fairhaven shares had on November 8, the day before its directors announced that they had received an approach from Eagleview which might lead to an offer.

Alternatively, shareholders can elect to take a cash offer of 27p a share. Nearly 60 per cent of holders have so far undertaken to accept the paper and not the cash offer.



reaction and funding des  
libility gap  
ans for the regional econ  
al engineer  
writes Michael Smith  
Fairha  
bid tem  
disclos  
Green in  
Uwen deal

# Some of the *little start ups* you'll find on The Nasdaq Stock Market:

Cadbury Schweppes

Akzo Nobel

REUTERS

TOYOTA

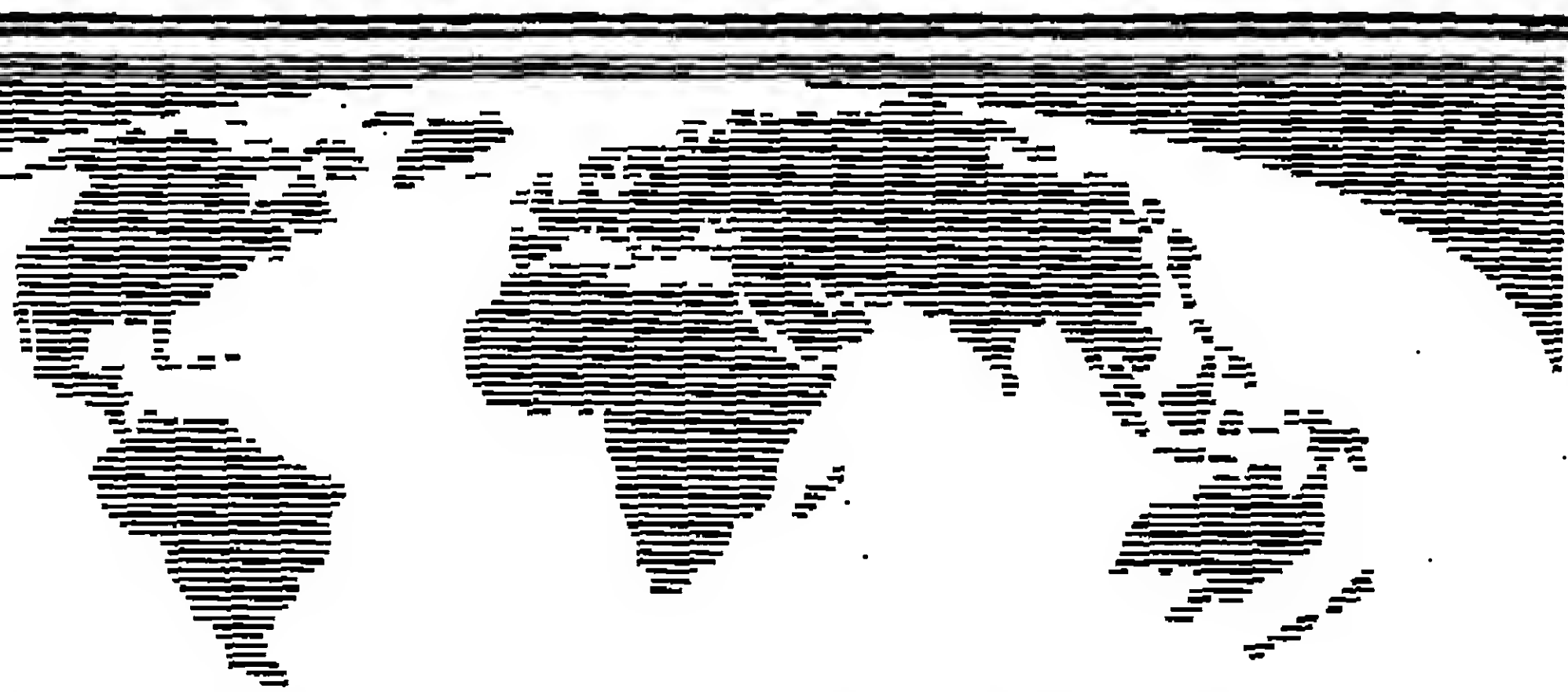
Volvo

Microsoft

In 1970 Nasdaq became the world's first computerized stock market. And changed the way shares were traded for the first time in 200 years.  
Since then it has helped ambitious 'little start ups' like Apple, Intel, Microsoft and MCI grow into the dominant global corporations that we know today.  
Increasingly it is also introducing major non-US corporations like Akzo Nobel, Reuters, Toyota and Volvo to US investors.

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All of these securities having been sold, this announcement appears as a matter of record only.

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Incorporated

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**INDOSUEZ CAPITAL** **LEHMAN BROTHERS**

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This portion of the offering was offered outside the United States and Canada by the undersigned.

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**CREDIT LYONNAIS SECURITIES**

**CREDITO ITALIANO**

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**NATWEST SECURITIES LIMITED**

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**SOCIETE GENERALE**

**UBS LIMITED**

**S.G. WARBURG SECURITIES**

13,650,000 Shares

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**RAUSCHER PIERCE REFSNES, INC.**

December 1994

**SUTRO & CO. INCORPORATED**

**CALL FOR EXPRESSION OF INTEREST**  
FOR THE PURCHASE OF THE GROUP OF ASSETS OF  
"VOMVICRYL SOCIETE ANONYME INDUSTRIELLE ET  
COMMERCIALE DES FIBRES ACRYLIQUES" of Athens, Greece

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", of 1 Skouliou Str., Athens, Greece, in its capacity as Liquidator of "VOMVICRYL SOCIETE ANONYME INDUSTRIELLE ET COMMERCIALE DES FIBRES ACRYLIQUES" a Company with its registered office in Athens, Greece (the "Company"), presently under special liquidation according to the provisions of Article 46a of Law 1892/1990 by virtue of Decision 709/93 of the Athens Court of Appeal, invites interested parties to submit within twenty (20) days from the publication of this Notice, non-binding written Expressions of interest for the purchase of the group of assets described below, being sold as single entity.

#### BRIEF INFORMATION

The Company was established in 1973, and was in operation until 1990, when it was declared bankrupt. On 26.3.93 it was placed under special liquidation according to the provisions of article 46a of Law 1892/1990. Its objects included the production, processing and marketing of all types of fibre and of textiles.

#### GROUP OF ASSETS OFFERED FOR SALE

Industrial Plant in Avdioti Flotidia (along the Lamia-Volos National Road) standing on a plot of 190,718 sq.m., including buildings of 23,296.42 sq.m. and containing machinery, mechanical equipment, furniture and other equipment.

#### SALE PROCEDURE

The sale of the above group of assets of the Company shall take place by way of Public Auction in accordance with the provisions of Article 46a of Law 1892/1994 (as supplemented by art.14 of Law 2000/1991 and subsequently amended) and the terms of sale set out in the offering Memorandum as well as in the Call for Tenders for the purchase of the above assets, to be published in the Greek and foreign press on the dates provided by the law.

#### SUBMISSION OF EXPRESSIONS OF INTEREST -

OFFERING MEMORANDUM - INFORMATION  
For the submission of Expressions of interest, as well as in order to obtain a copy of the Offering Memorandum for the above group of assets, please contact the Liquidator "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" (Skoutelou Str., 105 61 Athens, Greece, Tel: +30-1-523.14.84-7, fax: +30-1-321.79.05 (attention Mrs. Manika Prangaki) or the Liquidator's agent, Mrs. Louisa Barakakou, 44, Omirou Str., Athens, Greece Tel: +30-1-361.53.68 fax: +30-1-364.72.37

#### SKANDINAVISKA ENSKILDA BANKEN

US \$ 330,000,000

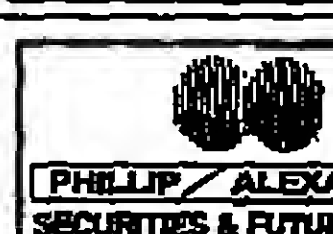
#### SUBORDINATED FLOATING RATE NOTES DUE 2000

Notice is hereby given that, in accordance with the provisions of the above mentioned Floating Rate Notes, the rate of interest for the six months period from December 18, 1994 to June 18, 1995 has been fixed at 7.125% per annum.

The interest payable on June 19, 1995 will be US \$ 180.10 in respect of each Note of US \$ 5,000.

Agent Bank

**BANQUE INTERNATIONALE**  
A LUXEMBOURG



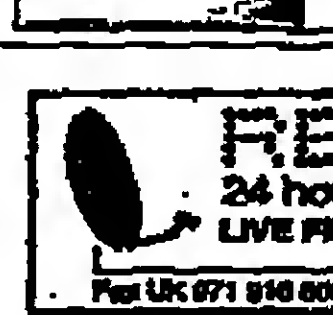
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## COMPANY NEWS: UK

# East Midlands' £86m beats City forecasts

By Peggy Hollinger

Shares in East Midlands Electricity rose by 5 per cent after the group announced substantially better than expected interim results and a surprisingly large dividend increase.

East Midlands, the last of the 12 regional electricity companies to report, was the strongest mover in a sector already buoyed by the Trafalgar House bid for Northern Electric. The shares rose 4 1/2 p to 86 1/2 p.

Analysts said the profit, which rose from £54m to £58m pre-tax for the six months to September 30, was some £13m ahead of average expectations. Sales fell from £266.2m to £261.9m.

The dividend increase of 28 per cent to 8.5p compared with expectations of 8.2p and follows the special 85p pay-out announced in October. "Having paid such a big special dividend, East Midlands might have had more reason than most to be less generous with the pay-out," said Mr. Nigel Hawkins of House of Cocks.

Mr. Norman Askew, chief executive, pointed out that following the recent share consolidation, the underlying increase in the dividend was slightly more than 12 per cent. Earnings per share rose by 37 per cent to 20.2p (22p).

He said the group remained



Norman Askew, left, with Bob Davies, finance director: demerger of the National Grid could mean a further pay-out

determined to return value to shareholders. The demerger of the National Grid, in which East Midlands holds an 8.4 per cent stake, would be the next opportunity to release substantial value, he said. The market expects this would mean a second special pay-out.

Mr. Askew said the profits improvement had been achieved by squeezing more profit from the regulated business and eliminating losses in the non-regulated operations.

The pre-tax line was also helped by a £3.5m reduction in interest charges to £4.5m.

Supply showed a 20 per cent rise in operating profits to £7.9m on sales of £321m (£58m). Distribution lifted profits 10 per cent to £78.2m on sales of £185m (£177m).

On the non-regulated side, operating losses in the contracting division fell from £1m to £400,000. However, retailing remained difficult. East Midlands share of the losses incurred in the retailing joint venture was £3.4m (£4.8m).

Analysts are forecasting pre-tax profits of £215m for the full year, with a dividend total about 18 per cent up at 30.5p.

## Hillsdown acquires Allied Domecq's UK biscuit arm

By Roderick Orm, Consumer Industries Editor

Hillsdown Holdings has bought Lyons Biscuits, the UK biscuit business of Allied Domecq, the spirits group which is shedding its food, tea and coffee operations.

Best known for its Maryland chocolate chip biscuits, Lyons also makes a range of biscuits for the own-label market. It employs 780 people in Blackpool and is profitable on sales of £44m a year.

Hillsdown is thought to have

paid just over £20m for the company, which it will merge with its Premier Biscuits division. Together, the two niche producers will have about 4 per cent of the UK biscuit market.

Premier, a management buy-out from Cadbury Schweppes in 1987, was bought by Hillsdown in 1989. Its sales are believed to be about £15m.

Tetley tea and Allied's baking business are the last two large groups of assets Allied Domecq still has on the block. With earlier disposals such as

DCA Food Industries, it appears to be on track to raise a total of about £200m.

Nestlé of Switzerland and Tate of India were among the companies that looked at Tetley, the first or second largest producer in the UK, many continental European countries, the US and Canada.

Nestlé is thought to have balked at Allied Domecq's asking price, while a purchase by Tate would present the Indian company with some complex financing problems.

## Wills Group's shares rise prompts takeover statement

By James Whittington

A sharp rise in the volume of shares traded in Wills Group resulted in an announcement that it is considering the possibility of recommending a takeover offer.

The distributor and manufacturer of fluid handling parts said yesterday that it was "considering a range of strategic alternatives" but declined to give details.

Despite reporting record annual profits, the company's share price has declined from a high of 30p in mid-February to

a low for the year of 13 1/2p last Wednesday.

However, heavy trading pushed the price to 15p by Friday's close and yesterday it rose further to 17 1/2p.

Mr. David Massie, chairman and the largest shareholder with a 15 per cent stake, declined to say whether or not the company had received any specific approaches. But he complained that "the market value is out of kilter with the steady progress the company has made".

Analysts said possible bidders might come from one of

the company's US partners who want a distribution base in Europe, or from another UK distributor looking to expand.

Wills has made a series of acquisitions over the past year to extend the range of its activities, including a move into manufacturing. It has holdings in France, Germany, Italy, the Netherlands and Spain.

Pre-tax profits for the year to July 2 almost doubled from £1.56m to £2.96m on turnover of £31.5m (£19.3m). Turnover for the present year is forecast to be in excess of £50m.

### NEWS DIGEST

## Halkin sells brewery to management

Halkin Holdings, the branded products group headed by Mr. Howard Hodgson, the former

funerals entrepreneur, is selling T. Hoskins, its brewery operation, to its management.

The business, described by Mr. Hodgson as "non-core" is being sold for about £1.7m - £500,000 above book value - to Tom Hoskins Brewery, a company formed by existing management with the backing of a group of private investors.

The deal, conditional on shareholders' approval, comprises £1.2m cash, payable on completion. Halkin will also subscribe for 500,000 50p convertible preference shares in Tom Hoskins at a premium of 50p.

In August, Halkin announced pre-tax profits of £1.25m on sales of £11.4m in the six months to July 2, the first period since the restructuring which added the Ramsey, lighters and aerosol group and Clifford International, a gift company, to the Leicester-based brewery.

Mr. Hodgson said the disposal should have a minimal impact on the group's trading performance. "I intend to recommend a dividend in respect of the full year," he added.

## Strong & Fisher buy

Strong & Fisher, the sheep skin and by-products processor, has acquired Belwood Foods from Hillsdown Holdings for about £2m.

Belwood processes frozen offals for the pet food industry. The consideration, in cash,

comprises £1.45m plus the value of Belwood's net assets at December 31 1994.

Strong & Fisher also announced the purchase of a freehold property occupied by its Peninsular Proteins arm, for £10,000 cash. The site, at Torrington, Devon, was owned by a Hillsdown subsidiary.

## Burdene lower

Burdene Investments reported a fall in pre-tax profits from £5.2m to £4.5m in the year to October 1.

Profits from the caravan and mobile home division fell to £2.7m (£4.1m) while property, finance and administration contributed a much lower £163,322 (£1,04m). The hospitality division, however, rose slightly to £227,347 (£257,319).

Turnover improved to £62.2m (£52m). Earnings per share fell from 3.73p to 2.96p. The dividend is raised to 1.92p with a lower final of 1.175p (1.25p).

## Edinburgh Japan

Net asset value per share at Edinburgh Japan Trust dropped by 12 per cent to 165p at November 30, against 188p six months earlier. The result compared with a 7.6 per cent fall in the Tokyo First Section Index in starting terms.

Net deficit for the six months was again £28,000 with losses per share unchanged at 0.23p.

## Ewart improves

Ewart announced a 46 per cent upturn in interim profits, as the Belfast-based property group continued to concentrate on combining steady rental growth with a "low-risk approach" to development.

Turnover in the half year to October 31 amounted to £2.68m, the corresponding fig-

ure of £3.32m took in £762,000 from a property disposal. After a reduced interest burden, the pre-tax line emerged at £511,000 (£351,000).

The interim dividend goes up to 0.5p (0.4p), payable from earnings of 1.66p (1.66p) per share on capital increased by the placing and open offer in the summer.

## Abtrust Preferred

Abtrust Preferred Income Investment Trust had a net asset value per share dividend preference share of 147.89p at the November 30 interim stage, against 138.65p six months previously. The asset value of the ordinary income shares fell from 118.2p to 91.28p.

Net revenue amounted to £1.58m, against £1.49m in the comparable period and earnings grew to 8.33p (7.86p) per income share.

A second interim dividend of 3p makes 6p (5.8125p) to date.

## Burford purchase

Burford Holdings is to buy the long leasehold interest in the Victoria Circus Shopping Centre, Southend, Essex, from Sanfield Lynton for £11.4m cash.

Sanfield Lynton is a joint venture between Sanfield Properties and Lynton, part of BAA. The property extends to 3.5 acres and comprises 270,000 sq ft of offices and a 680-space multi-storey car park.

## Care UK recovers

Care UK, the USM-quoted nursing home operator, reported pre-tax profits for the year to September 30 of £6.92m on turnover of £18.4m, including £3.57m from discontinued activities.

The result compared with losses of £7.02m on turnover of

## Standard Life expands health side

By Alison Smith

Standard Life, the UK's largest mutual life insurer, is to inject a further £10m into Prime Health, its health insurance subsidiary, to help its expansion in the intermediary market.

The move is expected to be announced later this week.

While the sum is small in terms of Standard Life, it represents two-thirds of Prime Health's existing working capital of about £15m.

At the same time, Standard is said to have revised slightly downwards the new business figures it set for Prime.

It is thought to have set the target to rise from about £11m this year to about £12m next year, but this has now been shaded back to nearer £10m.

Even though there is no doubt that Standard is right behind the health insurer, some large intermediaries are said to have wanted to see more capital in the subsidiary itself before being prepared to do business with it.

Standard announced in June that it was buying Prime from Municipal Mutual, the local authority-owned insurance company, for an undisclosed amount.

Last year, Prime's gross premium income was £24m, making it the fifth largest health insurer in the UK. Its policies cover about 56,000 people. However, it suffered a slight hiccup last month with the departure of one of its two regional sales managers.

The acquisition was Standard's first move outside life and pensions markets. The scale of the venture is small at present, but health insurance is expected to be a fast-growing part of the market.

Next year, Standard faces both the loss of its relationship with Halifax Building Society, in which the UK's largest mortgage lender sold only Standard Life financial services, and increasing competition for sales through independent financial advisers.

## Aberdeen Trust lifted to £5m

The launch of new products and the general strength of global stock markets helped Aberdeen Trust, the fund management and accountancy services group, boost pre-tax profits from £3.15m to £5.04m for the year to September 30.

The improved result - which was struck after writing off goodwill of £1.5m - was further reflected in a £3.5m cut in net borrowings which left gearing at 23 per cent (45 per cent).

Turnover rose to £17.7m (£14.8m). Earnings per share climbed to 4.01p (2.46p) while the final dividend is 1.4p for a total of 2p (1.5p).

## N Atlantic Smaller

North Atlantic Smaller Companies Investment Trust raised fully diluted net asset value per share by 8 per cent from 265p to 286p during the nine months to October 31.

The increase compared with a 9.9 per cent fall in Standard & Poor's Composite Index (adjusted for currency). The trust said market conditions, remained difficult.

## HK Bank Canada

Hongkong Bank of Canada, the HSBC Holdings subsidiary, reported net income for the year to October 31 of C\$88.9m (£38.5m), against C\$83.2m, despite a slowing in the fourth quarter.

Total assets rose 18.5 per cent over the year to C\$18m. Risk asset ratio was 6.71 per cent with a tier 1 capital ratio of 5.38 per cent.

## Ascot Holdings

Ascot Holdings, the property, pubs and hotels group, has received the necessary shareholder approvals to proceed with its £17m debt restructuring proposals.

On completion of the restructuring, the group will have pro-forma net assets of £55.4m, equivalent to 201p per new ordinary share.

Premier talks over  
first phase of  
Hollard estate  
Banco  
US\$ 1  
10.375%  
Net/call option  
Notes due 2000  
Share Price 90.00  
Swiss Bank  
Bear. Sharkey Ltd  
Goldman Sachs  
Banque Paribas  
Banco Safra



## Premier Cons confirms talks over Pict stake

By Christopher Price

A bid battle among Britain's independent oil exploration companies was signalled yesterday when Premier Consolidated Oilfields confirmed it was in discussions to buy a 48.3 per cent stake in Pict Petroleum, as part of a £80m full offer for its smaller rival.

Premier is negotiating with Amerada Hess, the US oil and gas exploration group, to buy the shares it has held since 1987. As part of a possible deal, Amerada would trade its holding for a stake in Premier and subscribe for further shares to a maximum of 25 per cent.

Last night, Mr John Lander, Pict managing director, said: "We have been notified by Amerada Hess of their discussions with Premier, but as such we have not had any approach." He refused to comment further on any ramifications of an offer from Premier.

Premier said that any offer would be made on the basis of the group's relative share prices at the close of trading last Friday. Pict shares were then 141p, while Premier stood at 214p.

Premier added: "Any offer for Pict is unlikely to value the company at a significant premium to that price."

Yesterday, Pict shares closed

14p up at 155p, valuing the company at \$30m, while Premier shares finished 11p up at 23p.

Analysts said that at this level of valuation, an all-paper offer would probably involve about seven Premier shares for every one Pict, giving Amerada a stake of about 24 per cent in Premier. In the event of an offer, the US group would pay 30p a share to increase its stake to the 25 per cent ceiling.

Mr Iain Reid, oil analyst at SG Warburg, said: "At this price, this deal does not reflect the upside in Pict's drilling programme. We feel a more appropriate offer should be nearer the £2 a share level."

## Charles Sidney in bid for Bletchley

By Peter Pearce

Charles Sidney, the Mercedes-Benz truck and car dealer, has made a recommended all-share offer for Bletchley Motor Group, which has 19 volume car dealerships, in a deal which values the latter at about £18m, or 260p a share.

BMG's shares fell 5p to 260p and Charles Sidney's were unchanged at 90p.

Charles Sidney has received irrevocable undertakings from Mr David Dunn, BMG chairman and chief executive, and the other BMG directors to accept the offer. They speak for 1.44m shares, or 23.5 per cent of the issued capital.

Under the terms, existing Charles Sidney shareholders will hold 57.1 per cent of the enlarged group, and BMG shareholders 42.9 per cent.

Charles Sidney is offering 2,853 new shares for every BMG share. Full acceptance will entail the issue of up to about 17.5m new shares. BMG shareholders will also receive a special 2p dividend.

## Friends Provident acquires LCH

By Simon London, Property Correspondent

London Capital Holdings, the property company owned by Citibank which withdrew plans for a stock market flotation in May, has been bought by Friends Provident, the mutual life insurance company.

Friends Provident will merge its £100m central London property portfolio with LCH's £240m assets. The new company will be owned 78 per cent by the life insurer and 22 per cent by Citibank.

In addition, loans made to LCH by Citibank will be refinanced by Friends Provident, which is effectively buying the assets at a modest discount to market value.

Mr Nigel Kemper and Mr Stephen Musgrave, joint managing directors of LCH, have

resigned from the company. LCH was formed from the remnants of Randworth Trust, which was taken private in 1989 at the peak of the market, but subsequently had to be rescued by Citibank.

Its portfolio includes a number of well-known buildings in London's west end, including the St Christopher's Place Estate near Oxford Street.

LCH's planned flotation was pulled at the last minute because Citibank was not prepared to accept the price at which advisers said the shares would have to be sold.

Mr Jeffrey Heintz, managing director at Citibank, said the bank had achieved more attractive terms from Friends Provident than could have been achieved through a flotation.

## IMI sells first phase of Holford estate

By Paul Cheswright, Midlands Correspondent

IMI, the engineering group, is selling the completed first phase of its Holford industrial and warehousing estate in Birmingham to Rodamco, the Dutch group, for £25m.

The Holford estate is on land owned by IMI near Spaghetti Junction on the M6 motorway. It has been producing rental income of £2.5m a year and was valued in the last accounts at £25m.

IMI has extensive holdings of land which are no longer required for group operations. "The Holford estate has never been a core part of IMI," said Mr Alan Emson, finance director. "The market place for this type of development has improved."

There has been a steady demand for distribution properties on sites near motorway junctions in the Midlands and numerous projects have emerged to compete with established developments like Holford.

The phase being sold to Rodamco cost £16.5m to develop. Phase two of the estate thus far involves just one building - an office block for Birmingham Cable.

## Baird expands clothing side with £11.5m buy

By James Whittington

William Baird, one of the leading suppliers to Marks and Spencer, yesterday announced the acquisition of Morris Cohen, a privately-owned lingerie and nightwear manufacturer which also supplies M&S, for £11.5m.

The purchase will be financed by the issue of 2m ordinary shares at a price of 215p, plus £4.4m in loan notes and £2.8m cash.

The move is part of Baird's plan to withdraw from the engineering sector and concentrate on its core clothing and textiles business. Last year it acquired Richard I Racke, a

maker of women's wear and casual clothing for M&S. Cohen's forecast turnover for 1994 is £23m. Baird's contract clothing operations had sales of £230m last year, most of which came from M&S.

The target's production units, located in south Wales, will be merged with Baird's existing contract lingerie operations nearby which will reduce operating costs and management time.

"It's a perfect business for us in terms of its product, location and customer," said Mr Donald Parr, Baird's chairman. Cohen's net assets are about £6.5m, before a dividend of £2m to be paid to the vendors.

## Break for the Border expands

Break for the Border Group, the restaurant and live music venue operator, has agreed with Mr Andrew Marler and Turner Page Music to acquire Glowspine - a newly-formed company owned by Mr Marler - for £900,000.

Immediately prior to completion, Glowspine will, in exchange for preference shares, acquire from Turner Page, the business of promoting and operating the

Shepherd's Bush Empire. Glowspine will enter into a 15-year lease for the Shepherd's Bush Empire with Sharpfleur, a newly-formed company also owned by Mr Marler, which will acquire the theatre from Turner Page, subject to a £1.2m mortgage, for the issue of Sharpfleur preference shares. Glowspine will have an option, exercisable for up to two years, to buy Sharpfleur for more than £300,000.

## Margins under pressure as Brasway rises 20%

By Paul Cheswright, Midlands Correspondent

Brasway, the West Midlands hose and fittings, lubricants and property group, lifted pre-tax profits by 20 per cent in the six months to October 29.

However, Mr Mark Swaby, chairman, said there was pressure on margins and further action to cut costs would be taken in the second half.

Profits were £505,000 (£490,000) giving earnings per share of 0.43p, against 0.36p, and the interim dividend is maintained at 0.24p. A total of 0.53p was paid in 1993-94.

Turnover rose to £19.4m (£15.3m) but the performance of its divisions was uneven.

At Europower, the hose and fittings business, the order intake has been strong. As a market leader, Brasway has been able to impose price rises to ease margin pressure. But it is still seeking productivity improvement through rationalisation at its Whitby and Market Weighton plants.

At Excelube, the lubricants company which was responsible for a large part of Brasway's improved 1993-94 profits, business was sluggish in the first quarter, although better in the second. But margins have been squeezed and the company is too small to do more than follow the price lead of the oil majors.

Property rents provided the biggest element - £252,000 - of the pre-tax profits.

### DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Aberdeen Trust	1.4	Mar 1	1	2	1.5
Abstrut Prof	3.4	Jan 31	2.90625	-	12
Brasway	0.24	Mar 7	0.24	-	0.53
Burdens Int	1.175	Feb 16	1.25	1.925	1.75
East Midlands	8.6	Mar 23	6.8	-	22.7
Ewart	0.51	Feb 16	0.4	-	1
Ivory & Stone	2.25	Jan 31	2.25	-	7.5

Dividends shown pence per share net except where otherwise stated. (†) Increased capital. \$USM stock. \* Second interim.

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October 1994



## COMMODITIES AND AGRICULTURE

## Lonrho and Gencor go for gold in the CIS

By Kenneth Gooding,  
Mining Correspondent

Lonrho, the London-based international trading combine, and Gencor, the South African mining group, are setting up a joint venture to develop gold mines in the former Soviet Union. Mr. Joe Platts-Mills, a Lonrho director, said he expected the joint venture to identify within two years big reserves in the Commonwealth of Independent States, probably as much as 2,000 tonnes (64.3m Troy ounces).

The 50-50 joint venture would draw on his group's contacts in the CIS - developed over the past five years and not just in the mining sector - and its ability to work in unusual places and Gencor's mining know-how, including its Bior process. This uses bacteria to break down refractory, or difficult, ores to release the gold locked inside.

Instead of employing expensive heat and pressure vessels.

Mr. Platts-Mills said it was the policy of the former Soviet Union to leave refractory sulphide gold deposits untouched so the technology had a lot to offer the CIS, including the ability to treat ore with a high arsenic content and leave no harmful waste.

Mr. Adrian Coates of Warrior International, which advised Gencor on the deal, said the South African group concluded from visits to the CIS two years ago that there were many ore bodies there that would lend themselves to the Bior process. Gencor also believed it was several years ahead of its nearest rival in bacterial gold recovery and needed to put this advantage to good use.

The obvious partner was Lonrho, which via its 45-per-cent-owned associate Ashanti Goldfields in Ghana was the

largest commercial user of the technology and was already well-established in the CIS. Lonrho's access to the Bior technology was primarily responsible a year ago for its winning the right to develop a big gold mine in Uzbekistan, with two Uzbek government-owned companies.

Discussions are well advanced with the Uzbek State Committee on Geology for the development of its Ingichik Research Establishment as a centre for the testing ores to see if they are amenable to the Bior process.

Lonrho at present was engaged in 36 serious discussions about mining ventures in Uzbekistan, Russia, Kazakhstan, Tajikistan and Kurdistan, said Mr. Platts-Mills. Most of the contacts were in Russia but the republic had so far not shown itself to be as open to doing deals as some of the central Asian republics.

## Kissing goodbye to a Christmas tradition

The problems of British apple growers are hitting supplies of home-grown mistletoe

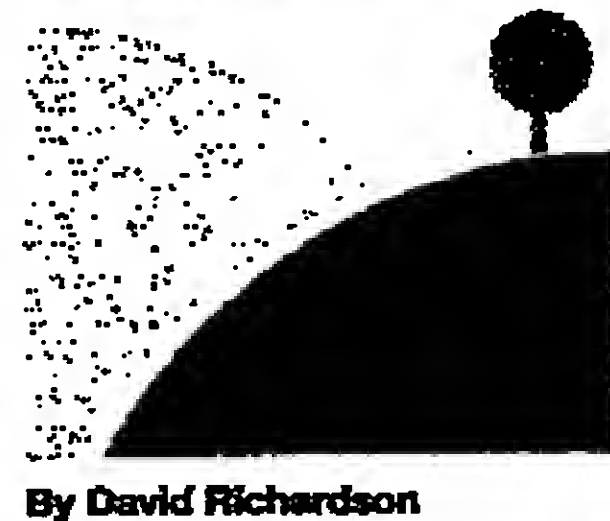
Will the kissing have to stop? And if it does, will this be the result of a machiavellian plot hatched by the European Union? Moreover, if every red-blooded Brit observed rules established over generations might the practice already be dying out? Not because of a punitive quota but simply because of market forces.

I refer of course to the possibility of a crisis in the mistletoe business and to the tradition that dictates one berry should be removed from each sprig of the foliage for each kiss that takes place beneath it.

Fortunately such rules are regularly ignored and the season of goodwill usually permits pursed lips to press against one another, according to custom, an unlimited number of times without berries being removed. Which is just as well, because were that not the case, I would be looking forward to a very dull Christmas.

In the absence of any of the parasitic plants on our own apple trees, the other day my wife bought a small sprig of mistletoe in our local Norfolk town. It weighed between three and four ounces, complete with a dozen or so berries, and it cost her £1. Indeed, she refused to buy any more at such an

## FARMER'S VIEWPOINT



By David Richardson

extortionate price. Perhaps she was also trying to tell me something.

But I had already established that at auction in Tenbury Worcestershire (or "the orchard", as Queen Victoria is said to have dubbed the town), the price was about 75p a pound last week. Somebody in the supply chain, which admittedly stretches from the West Midlands to East Angles seems to be making a pretty good margin.

Because of the association of mistletoe with apple trees it can only get dearer in the future.

Although it will grow on poplar and occasionally on oak trees, its favourite "host" is the apple. It establishes itself on the trees as a result of the beak-cleaning activities of songbirds, especially mistle

thrushes. Having fed in mistletoe berries (which are poisonous to some species) the birds apparently get seeds stuck in the crevices of their beaks - like grape pips between our teeth. Not having tooth picks readily to hand, the birds scrape the seeds out of their beaks on to the rough bark of apple trees and "plant" them where they grow. Mistletoe derives its nourishment from the sap of the trees.

UK apple growers have had a rough time in recent years as fruit from other countries has displaced indigenous varieties. French Golden Delicious have been a particular problem, although one British apple grower suggested the French should be hauled up before the courts under the Trademark Description Act for naming the variety "Golden". They come in during our own season and, being a very high yielding variety, cost much less to grow than best British apples such as Cox.

The disappearance of almost half of Britain's apple trees since the Common Market in 1973, is not the only cause of the mistletoe shortage; nor will the grant-aided grubbing out of a further 12 per cent of British orchards, as

a result of a recent EU scheme to cut community production and attempt to raise the price of apples to economic levels, necessarily affect future supplies of mistletoe.

For the EU rules state that the apple orchards to be grubbed must be composed of young trees, not more than 20 years old and capable of bearing a full crop of fruit. They must also be planted at a density of not more than 160 trees an acre. In other words, the orchards that will go will be modern, hedge-type plantings enabling easy picking from the ground.

But parasitic mistletoe is only allowed to grow on big old trees in traditional orchards. Fifty-year-old or more older and cooking apple trees are much the best - the ones not covered by the EU scheme. One of the reasons for this is that most of those trees are unproductive for fruit production, on their last legs and almost ready to fall down in any case. Many are only retained to provide shelter for sheep flocks that graze the orchards and for the side-line cutting of mistletoe.

It may be, therefore, as these old trees disappear, that in future years, sales of traditional winter greenery held at Tenbury market on the four

Tuesdays before Christmas each year will have fewer bunches of local mistletoe mixed among the holly and Christmas trees. Indeed these annual auctions have already begun to attract entries from northern France where mistletoe is plentiful especially on the ubiquitous poplars.

But disparaging locals say the French stuff is not as good. For a start it is usually a different, less attractive variety. But worse than this is the way it is presented: dehydrated and squashed following the long journey across the Channel.

The French, you see, have no real appreciation of the place nor of any tradition of kissing under the mistletoe in spite of their racy reputation. Only the British have revered mistletoe from the time of the ancient Druids and today its magical and licentious powers are exclusively enjoyed in the English-speaking world.

And when you think of it, kissing in France is only a series of ritual pecks on the cheek - perhaps because of the preponderance of garlic in the diet. The British are the only ones to reciprocate with full frontal smackers and long may there be sufficient English mistletoe around to enable and enhance that excellent Christmas tradition.

## 'Coffee has probably peaked'

By Alison Maitland

World coffee prices have probably peaked, provided there are no further crop surprises and the next Brazilian harvest turns out well above the gloomiest forecasts, according to the Economist Intelligence Unit.

In its December outlook for food commodities, it predicts a 1995-96 crop of 17.5m bags, helped by the recent rains. This is 2.7m tonnes higher than the highest estimate from the Brazilian government in early November.

The EIU sees the crop rising to 28m bags the following year. However, if this recovery is threatened, for example, by further frosts next year, prices could easily rise above \$3 a pound, it says. This is because stocks at the end of the 1994-95 season are likely to be at their lowest for many years, especially in producing countries.

The EIU sees the differential between robusta and mild arabica prices widening from about 17 per cent at present to average more than 30 per cent next year. It says robusta supplies should recover sharply thanks to a bumper crop expected in Indonesia in 1995-96 and big increases in the harvests this season in Ivory Coast, Vietnam and Thailand.

After this year's sharp rise in sugar prices, the report predicts little change next year, and a decline to about 11 cents a pound, from a 1994 average of 11.9 cents, in early 1996. This is because of a probable swing from a third successive global deficit to a surplus of 1m tonnes in 1995-96.

On grains, it expects record maize and soybean crops in the US this year to push prices lower next year.

It says export prices of US maize will hit their long-term floor, averaging about \$9 a

tonne less than in 1994 at \$100 a tonne or just below. The US maize crop of up to 260m tonnes will push carry-over stocks to nearly 60m tonnes at the end of the season next August, compared with 22m tonnes a year earlier, says the EIU. But a stock drawdown is likely to help prices recover in the first half of 1996.

Soyabean oil is forecast to fall to \$559 a tonne by the third quarter of next year - 8.5 per cent lower than the third quarter average for 1994 - based on world classed output reaching more than 185m tonnes in 1994-95, up nearly 11 per cent on the previous year.

Wheat prices are expected to range between \$160 and \$180 a tonne until the middle of 1996, unless the US crop next year proves insufficient to rebuild depleted global stocks. In that event, the EIU predicts prices could go as high as \$180 a tonne.

## MARKET REPORT

## Base metals down

Base metals prices rallied from their lows at the London Metal Exchange yesterday but still ended with net losses, despite strong buying of ALUMINIUM.

The cash premium in the COFFE market narrowed sharply as concern about approaching options declarations eased.

An unsettled day at the London Commodity Exchange COFFE market ended with the March futures price up \$10 at \$2,648 a tonne, after trading between \$2,607 and \$2,680. Talk of a new producers retention scheme provided some support. Compiled from Reuters

## Norwegians withdraw from gas pipe project

By Karen Fosell in Oslo

Statoil, the Norwegian state oil company, and Norsk Hydro, Norway's largest publicly quoted company, have abruptly withdrawn from the proposed 440m pipeline project to link the UK with the European natural gas grid.

The new pipeline, known as the interconnector, will allow large-scale gas exports from the UK by the end of the decade.

The interconnector will be owned by British Gas, with 40 per cent, British Petroleum, Elf Aquitaine, Gazprom of Russia

and Conoco, each with 10 per cent, and UK utility National Power, Ruhrgas of Germany, Distrigas of Belgium and Amerasia Hess, each with 5 per cent.

Statoil and Norsk Hydro said they had made their participation in the pipeline conditional on achieving a solution to a dispute between Norway and Britain over a new Frigg gas pipeline treaty.

"However, the majority of the other companies involved in the scheme were unwilling to accept this reservation. The dispute over the Frigg line consequently has to find a political solution," Statoil said.

The British government refuses to ratify the deal, valued at more than Nkr20bn (£1.87bn) and agreed in 1997 for Norway to supply National Power with 30.5bn cubic metres of gas over 14 years through the Frigg pipeline.

Norway says the British government made Norwegian companies' participation in the interconnector conditional on clearing the way for new Norwegian gas exports to the UK through the Frigg gas pipeline.

"We will wait for the British government to clarify its position on the Frigg pipeline before deciding our next move

on the treaty issue," said Mr. Tore Sandvold, director-general at Norway's industry and energy ministry.

Norway and Britain have for several years been in dispute over the terms governing transport of new Norwegian gas deliveries to the UK through the Frigg pipeline.

Meanwhile, a planning application for the interconnector will be submitted early next year, in time for construction to begin in the spring of 1996. The pipeline is likely to be completed in the autumn of 1998. It will carry 20bn cubic metres of gas annually.

## COMMODITIES PRICES

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

## ALUMINIUM, 99.97% (3 months)

	Sett	Day's	High	Low	Open	Vol
Dec	3792	+0.5	3792	3792	139	43
Jan	3800	+0.5				
Feb	3817	+0.5	3820	3815	18,948	
Mar	3827	+0.5	3833	3827	14,644	320
Apr	3835	+0.5	3840	3835	21,471	1,481
May	3843	+0.5				
Aug	3943	+0.5			12,006	20
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low	Open	Vol
Dec	177,194				29,908	
Jan	177,194				29,908	
Feb	177,194				29,908	
Mar	177,194				29,908	
Apr	177,194				29,908	
May	177,194				29,908	
Aug	177,194				29,908	
Total	177,194				29,908	

	Sett	Day's	High	Low
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**INVESTMENT TRUSTS - Contd.****INVESTMENT TRUSTS - Contd.**

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## LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Trust Name	Price	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	99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## CURRENCIES AND MONEY

## MARKETS REPORT

## Political worries push Italian lira to record low

Continuing political turmoil in Italy yesterday drove the lira to fresh lows on the foreign exchanges, writes Philip Gwin.

The lira fell to a fresh low of 1,047.90 against the D-Mark in European trading, but the market was unable to sustain this move. It recovered to close in London at 1,045.

Aside from the lira, where analysts anyway reported more talk than action, it was a case of "pre-Christmas" trading, the euphorism for long lunches and little business.

Insofar as traders were able to raise their heads from the Christmas pudding, there was little incentive to trade ahead of today's meeting of the Federal Open Markets Committee in Washington.

Expectations that the FOMC might sanction higher rates have receded recently, but not disappeared.

Sterling traded in a very narrow range of about 1/4 pence against the D-Mark, and 0.3

cents against the dollar. The trade weighted index was unchanged at 80.4 all day. The pound finished at DM2.4571, from DM2.4561, and at \$1.5613 from \$1.563.

The dollar itself had a very quiet day ahead of the FOMC, finishing at DM1.5735, from DM1.5714, and \$1.00155 from \$1.0015.

The catalyst for further lira weakness was the heightened efforts from the Northern League, coalition partner of Mr Silvio Berlusconi, the prime minister, to topple the government in a no confidence vote later this week.

There is now a widespread expectation that the lira will weaken to 1,050 before it recovers. Although politics is

the current focus, failure to tackle structural problems in the budget, including rising debt servicing costs, also provide economic reasons for currency weakness.

Mr David Cocker, economist at Chemical Bank in London, commented: "Normally at this stage of a political crisis in Italy you might look for the currency to strengthen. People begin to emphasise positive elements of the new stage that is about to begin."

On this occasion, however, the problem lies in trying to assess the likely shape, and efficacy, of any future coalition, should the government fall.

Mr Brian Durrant, economist at brokers GNL, said: "It looks as if the foreign exchanges have fully discounted this political chaos. Lira bears may find it better to travel than arrive as far as the confidence vote is concerned."

All eyes will be on the Fed

Lira

Against the D-Mark (Lira per DM)

1,020

1,040

1,060

Nov 1994 Dec

Source: Datastream

today. While some benign recent price data have allowed

markets to relax, there is still room for the Fed to take a different view. This is based on evidence of strong credit growth, and buoyant retail and auto sales.

Consumer credit outstanding rose by \$11.6bn in October (up nearly 16 per cent, year on year) and has been rising with

out interruption for two years. Some observers have cited two other possible reasons why the Fed might stand firm: the possibility that further tightening could, in the wake of the Orange County episode, cause systemic municipal default; and that it might precipitate a stock-market crash.

These arguments are dismissed by Neil MacKinnon, chief economist at Citibank in London, as "far from compelling". He says: "It would be imprudent to alter policy in order to bolster unsustainable bond market positions."

He argues that the Fed might also welcome a stock-market reversal that had a dampening effect on the recovery.

Mr Cocker said the odds against a rate rise were probably 55:35. He said the Fed was in a difficult position. Although there were few signs of inflation, economic growth was clearly buoyant.

Mr Mark Geddes, treasury strategist at Midland Global

Markets, commented: "Given the November tightening in policy was the most aggressive since 1981, plus the short period since the last FOMC meeting, the US authorities are likely to want more time to determine the effectiveness of the 500 basis points tightening in rates so far this year."

Mr Cocker said the dollar had limited downside if rates did not rise. Given the prevailing positive sentiment, the market would simply reason that rates would rise at the next FOMC meeting.

The Bank of England cleared a \$500m shortage in its daily money market operations, mostly through late assistance.

Other currencies

Dec 19

## WORLD INTEREST RATES

## MONEY RATES

December 19	Over night	One month	Three months	Six months	One year	Long term	Govt bonds
Belgium	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
France	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Germany	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Italy	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Netherlands	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Sweden	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Switzerland	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
UK	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
US	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Japan	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4

## EURO CURRENCY INTEREST RATES

December 19	Over night	One month	Three months	Six months	One year	Long term	Govt bonds
Belgium	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
France	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Germany	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Italy	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Netherlands	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Sweden	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Switzerland	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
UK	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
US	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
Japan	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4

## POUND SPOT FORWARD AGAINST THE POUND

Dec 19	Close	Change	High	Low	One month	Three months	One year	JP Morgan
Europe	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Australia	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Canada	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
France	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Germany	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Italy	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Netherlands	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Sweden	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Switzerland	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
UK	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
US	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 19	Close	Change	High	Low	One month	Three months	One year	JP Morgan
Europe	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8
Australia	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8
Canada	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8
France	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8
Germany	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8
Italy	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8
Netherlands	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8
Sweden	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8
Switzerland	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8
UK	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8
US	11.0810	+0.0188	11.0810	11.0722	0.8	0.8	0.8	0.8

## CROSS RATES AND DERIVATIVES

Dec 19	Close	Change	High	Low	One month	Three months	One year	JP Morgan
Belgium	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
France	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Germany	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Italy	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Netherlands	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Sweden	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Switzerland	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
UK	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
US	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Japan	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0

## UK INTEREST RATES

Dec 19	Close	Change	High	Low	One month	Three months	One year	JP Morgan
Interbank	7.75	-0.05	7.75	7.70	7.75	7.75	7.75	7.75
Bank bills	7.75	-0.05	7.75	7.70	7.75	7.75	7.75	7.75
Treasury bills	7.75	-0.05	7.75	7.70	7.75	7.75	7.75	7.75
Local authority	7.75	-0.05	7.75	7.70	7.75	7.75	7.75	7.75
Discount market	7.75	-0.05	7.75	7.70	7.75	7.75	7.75	7.75

## BASE LENDING RATES

Dec 19	Close	Change	High	Low	One month	Three months	One year	JP Morgan
Adam & Company	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Adair & Co	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
AB Bank	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of America	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Canada	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of China	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of India	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Japan	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Korea	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of London	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Mexico	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of New York	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Paris	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Rome	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of San Francisco	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Shanghai	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Singapore	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of South Africa	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Sweden	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Switzerland	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Taiwan	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Thailand	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Tokyo	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Union	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Vietnam	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of West	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of World	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Yugoslavia	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Zaire	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25
Bank of Zimbabwe	8.25	-0.05	8.25	8.20	8.25	8.25	8.25	8.25

## EURO CURRENCY UNIT RATES

Dec 19	Close	Change	High	Low	One month	Three months	One year	JP Morgan
Belgium	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
France	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Germany	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Italy	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Netherlands	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Sweden	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Switzerland	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
UK	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
US	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0
Japan	17.3002	+0.0005	17.3002	17.2997	1.0	1.0	1.0	1.0

## NON-ERM MEMBERS

JAPANESE YEN FUTURES (MAY JUN 12.5 per Yen 100)								
	Open	Lathest	Change	High	Low	Est. vol	Open int.	
Dec 19	0.9970	0.9973	-0.0009	0.9973	0.9965	6,156	26,845	
Jan 20	1.0005	1.0004	-0.0010	1.0005	1.0002	11,180	70,200	
Jun 20	1.0195	1.0182	-0.0018	1.0195	1.0182	201	2,295	
100 STERLING FUTURES (MAY) £82.500 per £								
Dec 19	1.5580	1.5592	-0.0016	1.5600	1.5580	3,245	25,280	
Jan 20	1.5592	1.5600	-0.0008	1.5602	1.5598	11,911	49,402	
Jun 20	1.5604	1.5604	-0.0002	1.5604	1.5604	8	177	
EUROPEAN CURRENCY UNIT RATES								
Dec 19	Eu. cur. rate	Rate against Eu.	Change day before	%+/- on cur. rate	% spread v weekend	Div. ind.		
Switzerland	2.10972	2.13944	-0.00145	-2.65	6.98			
Netherlands	0.806829	0.788345	-0.001695	-2.36	6.96	18		
Belgium	40.1223	38.2943	-0.1017	-2.31	6.96	17		
Germany	1.94684	1.91042	-0.00066	-2.01	6.96	-		
France	6.55704	6.55704	0.00000	0.00	3.33	-		
Italy	7.39378	7.48411	-0.000188	0.77	3.32	-		



هيكذا من الاجل

INDICES									
1994									
Dec 19	Dec 16	Dec 15	High	Low	Dec 19	Dec 16	Dec 15	High	Low
Argentina (20/12/97)									
Argentina	1770.48	1793.4	2540.40	102	1678.21	2071			
Australia									
AS Drifters (1/10)	1800.1	1897.0	1865.0	2940.00	3/2	1942.40	1912		
AS Whing (1/10)	912.4	907.0	901.5	1358.19	3/2	978.19	1212		
Canada									
OSL Andco (20/12/94)	376.84	357.16	357.32	408.00	2/2	376.84	357.16		
Tdco Index (2/1/91)	1035.35	1027.22	1027.33	1228.28	1/2	1011.38	6/8		
Brazil									
BR20 (1/1/91)	1383.76	1394.44	1393.63	1542.88	8/2	1383.76	7/10		
Belgium									
BEL20 (20/12/93)	4017.0	4042.0	3971.00	139	3950.50	3/1			
Canada									
AS Drifters (1/10)	1800.1	1897.0	1865.0	2940.00	3/2	1942.40	1912		
AS Whing (1/10)	912.4	907.0	901.5	1358.19	3/2	978.19	1212		
France									
SEB AS-SPON (24/1/93)	528.45	528.72	527.54	541.41	4/1	528.45	528.72		
Germany									
SEB AS-SPON (24/1/93)	528.45	528.72	527.54	541.41	4/1	528.45	528.72		
Japan									
SEB AS-SPON (24/1/93)	528.45	528.72	527.54	541.41	4/1	528.45	528.72		
UK									
SEB AS-SPON (24/1/93)	528.45	528.72	527.54	541.41	4/1	528.45	528.72		
US									
SEB AS-SPON (24/1/93)	528.45	528.72	527.54	541.41	4/1	528.45	528.72		

US INDICES										
1994										
Dec 19	Dec 16	Dec 15	High	Low	Dec 19	Dec 16	Dec 15	High	Low	
Dow Jones										
Industrials	3007.10	3705.47	3746.29	3598.35	3073.38	41.22				
Home Bldg	94.18	94.48	94.43	105.87	93.61	300.77	54.98			
Transport	1418.14	1412.41	1384.02	1392.29	1371.08	682.38	12.32			
Utilities	112.34	101.32	102.44	102.28	101.84	29.48	10.50			
DJ Ind. Day's High (21/12)										3705.47
DJ Ind. Day's Low (21/12)										3705.47
Standard and Poors										
Companys	458.00	453.34	454.87	462.00	458.00	440	4.40			
Industrials										
Financial	541.39	540.00	538.05	553.18	510.05	553.30	3.92			
NYSE Comp.										
AS Mid Vol	438.25	426.02	423.07	437.88	428.23	467.88	28.31			
NASDAQ	725.07	720.88	725.07	733.32	693.79	733.32	54.37			
R RATIOS										
Dow Jones Ind. Div. Yield										
S & P Ind. Div. Yield										
S & P Ind. P/E ratio										
R STANDARD AND POORS 500 INDEX FUTURES \$500 INDEX INDEX										
Mar										
Jun										
Sep										
Open interest figures are for previous day.										
R NEW YORK ACTIVE STOCKS										
Friday										
Vol-Mkt										
Gm-Bac										
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† Correction. \* Calculated at 15.00 GMT. @ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.  
 § The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

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AMX COMPOSITE PRICES

4 pm close December 19

Stock	PY	Stk	High	Low	Close	Chg	Stock	PY	Stk	High	Low	Close	Chg	Stock	PY	Stk	High	Low	Close	Chg	Stock	PY	Stk	High	Low	Close	Chg
Ady Mgmt	104	11	135	135	135	+	Ady Mgmt	104	11	135	135	135	+	Ady Mgmt	104	11	135	135	135	+	Ady Mgmt	104	11	135	135	135	+
Alpha Int	1.05	4	1.05	1.05	1.05	+	Alpha Int	1.05	4	1.05	1.05	1.05	+	Alpha Int	1.05	4	1.05	1.05	1.05	+	Alpha Int	1.05	4	1.05	1.05	1.05	+
Amgen	10.69	13	10.69	10.69	10.69	+	Amgen	10.69	13	10.69	10.69	10.69	+	Amgen	10.69	13	10.69	10.69	10.69	+	Amgen	10.69	13	10.69	10.69	10.69	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
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Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+
Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+	Amgen	0.0515	1785	10.69	10.69	10.69	+
Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1.19	1.19	1.19	+	Amgen	1.19	130	1										

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Product	2 1/8	2 1/2	3 1/4	4 1/4	5 1/4	6 1/4	7 1/4	8 1/4	9 1/4	10 1/4	11 1/4	12 1/4	13 1/4	14 1/4	15 1/4	16 1/4	17 1/4	18 1/4	19 1/4	20 1/4	21 1/4	22 1/4	23 1/4	24 1/4	25 1/4	26 1/4	27 1/4	28 1/4	29 1/4	30 1/4	31 1/4	32 1/4	33 1/4	34 1/4	35 1/4	36 1/4	37 1/4	38 1/4	39 1/4	40 1/4	41 1/4	42 1/4	43 1/4	44 1/4	45 1/4	46 1/4	47 1/4	48 1/4	49 1/4	50 1/4	51 1/4	52 1/4	53 1/4	54 1/4	55 1/4	56 1/4	57 1/4	58 1/4	59 1/4	60 1/4	61 1/4	62 1/4	63 1/4	64 1/4	65 1/4	66 1/4	67 1/4	68 1/4	69 1/4	70 1/4	71 1/4	72 1/4	73 1/4	74 1/4	75 1/4	76 1/4	77 1/4	78 1/4	79 1/4	80 1/4	81 1/4	82 1/4	83 1/4	84 1/4	85 1/4	86 1/4	87 1/4	88 1/4	89 1/4	90 1/4	91 1/4	92 1/4	93 1/4	94 1/4	95 1/4	96 1/4	97 1/4	98 1/4	99 1/4	100 1/4
D&C Gen	2744041	33 1/2	32 1/2	33 1/2	34 1/2	35 1/2	36 1/2	37 1/2	38 1/2	39 1/2	40 1/2	41 1/2	42 1/2	43 1/2	44 1/2	45 1/2	46 1/2	47 1/2	48 1/2	49 1/2	50 1/2	51 1/2	52 1/2	53 1/2	54 1/2	55 1/2	56 1/2	57 1/2	58 1/2	59 1/2	60 1/2	61 1/2	62 1/2	63 1/2	64 1/2	65 1/2	66 1/2	67 1/2	68 1/2	69 1/2	70 1/2	71 1/2	72 1/2	73 1/2	74 1/2	75 1/2	76 1/2	77 1/2	78 1/2	79 1/2	80 1/2	81 1/2	82 1/2	83 1/2	84 1/2	85 1/2	86 1/2	87 1/2	88 1/2	89 1/2	90 1/2	91 1/2	92 1/2	93 1/2	94 1/2	95 1/2	96 1/2	97 1/2	98 1/2	99 1/2	100 1/2																													
D&C Gen	2744041	33 1/2	32 1/2	33 1/2	34 1/2	35 1/2	36 1/2	37 1/2	38 1/2	39 1/2	40 1/2	41 1/2	42 1/2	43 1/2	44 1/2	45 1/2	46 1/2	47 1/2	48 1/2	49 1/2	50 1/2	51 1/2	52 1/2	53 1/2	54 1/2	55 1/2	56 1/2	57 1/2	58 1/2	59 1/2	60 1/2	61 1/2	62 1/2	63 1/2	64 1/2	65 1/2	66 1/2	67 1/2	68 1/2	69 1/2	70 1/2	71 1/2	72 1/2	73 1/2	74 1/2	75 1/2	76 1/2	77 1/2	78 1/2	79 1/2	80 1/2	81 1/2	82 1/2	83 1/2	84 1/2	85 1/2	86 1/2	87 1/2	88 1/2	89 1/2	90 1/2	91 1/2	92 1/2	93 1/2	94 1/2	95 1/2	96 1/2	97 1/2	98 1/2	99 1/2	100 1/2																													
D&C Gen	2744041	33 1/2	32 1/2	33 1/2	34 1/2	35 1/2	36 1/2	37 1/2	38 1/2	39 1/2	40 1/2	41 1/2	42 1/2	43 1/2	44 1/2	45 1/2	46 1/2	47 1/2	48 1/2	49 1/2	50 1/2	51 1/2	52 1/2	53 1/2	54 1/2	55 1/2	56 1/2	57 1/2	58 1/2	59 1/2	60 1/2	61 1/2	62 1/2	63 1/2	64 1/2	65 1/2	66 1/2	67 1/2	68 1/2	69 1/2	70 1/2	71 1/2	72 1/2	73 1/2	74 1/2	75 1/2	76 1/2	77 1/2	78 1/2	79 1/2	80 1/2	81 1/2	82 1/2	83 1/2	84 1/2	85 1/2	86 1/2	87 1/2	88 1/2	89 1/2	90 1/2	91 1/2	92 1/2	93 1/2	94 1/2	95 1/2	96 1/2	97 1/2	98 1/2	99 1/2	100 1/2																													
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## AMERICA

## Profits taken after Dow's recent gains

## Wall Street

US share prices retreated from Friday's gains yesterday morning as traders took profits accumulated last week, writes Lisa Branstetter in New York.

By 1 pm, the Dow Jones Industrial Average was down 22.21 at 3,784.58. The more broadly based Standard & Poor's 500 lost 1.78 at 457.01, the American Stock Exchange composite fell 1.92 to 424.31 and the Nasdaq composite declined 1.18 to 727.89. Trading volume on the NYSE came to 156m shares.

Analysts attributed much of last week's strength to Friday's "triple-witching hour" when options and futures on stock indices expired together in the last 60 minutes of trading.

With that out of the way and no important economic news due out yesterday, there was little to push up the market.

Investors were also acting cautiously in advance of today's meeting of the Federal Reserve's open market committee. Most analysts are betting that the Fed will not raise rates at the meeting, but opinion is not unanimous. Interest rate increases usually push the market down as investors worry that reduced consumption and borrowing will erode corporate earnings.

In recent weeks the market has moved up and down skittishly as investors first worried about another rate increase and then bought when those fears subsided briefly. A round of relatively mild economic news put out last week led many to speculate that the Fed would not raise rates again before January.

In individual share prices, Caesars World rocketed 30% at \$67.47 after ITT said that it would acquire the casino company for \$67.50 per share or

\$1.7bn. Shares in ITT fell 5% at \$61.44 on the news.

Shares in US Shoe rose 2% at \$19.47 after the company reported late on Friday that it was negotiating to sell its footwear business to Nike West. Nike West gained 5% at \$26.74.

Gen & Jerry's shed 1% at \$10 after the ice cream company announced it expected a fourth quarter loss of \$700,000 to \$900,000 and a decline in revenues from the same period last year. Revenues should be about \$30m, the company said.

## Canada

Toronto stocks were mixed at midday following the decline on Wall Street. The TSE-300 index gained 5.69 at 4,123.72 in volume of 34.9m shares valued at C\$374.5m.

Declining issues outpaced advances by 310 to 220, with 353 stocks unchanged. The gold and precious metals sector was up 7.55 at 8,995.88.

Rogers Communication "B" shares were unchanged at C\$19 after the company's cable television regulator approved a C\$3.1bn takeover of Maclean Hunter.

## Mexico

Equity prices were sharply lower in early trading as reports came through of fresh trouble in the southern state of Chiapas.

The IPC index fell 43.54 or 1.9 per cent to 2,284.05.

The Zapatista rebels said that they had turned down an offer from the government of a multi-party commission to negotiate peace.

Volume was low at 3.9m shares worth 39.95m pesos. Losers exceeded gainers by 43 to one, with seven issues unchanged.

Among the losers, Telcel "L" was off 1.85 per cent.

## EUROPE

## Rise in carmakers enlivens Frankfurt bourse

Last Friday's surge in the Dow lifted bourses in the morning, but its subsidence yesterday left them subdued, writes Our Markets Staff.

FRANKFURT'S Dax index came back from an intraday high of 2,022.17 to close just 5.88 up at 2,075.94. In the post-bourse, it eased further to an intraday low of 2,066.58.

Turnover fell from DM3.6bn, inflated by Frankfurt's own triple-witching process, to DM5.2bn. Carmakers were the prime feature of the day, BMW, Daimler and Volkswagen rising DM12 to DM78, Daimler to DM75.50 and Daimler to DM427.50 respectively, the session, and the first two retaining about half of their gains after hours.

At James Capel, Mr Bob Barber noted that the sector, the best performer in Europe until the end of October, had underperformed both in November and in this month to date. It was too late, he added, for share prices to be responding to last week's sharp upturn in November's European car registrations, and BMW's supply deal with Rolls Royce was better for prestige than it was for profits of any scale. It looked, he concluded, as if a trader-oriented market was simply

indulging in a little more sector rotation.

AMSTERDAM, too, retreated from early gains, the AEX index adding 2.47 to 410.85 after an earlier high of 412.68.

Paribas remarked in its latest perspective that it was shifting its stance toward a more defensive investment strategy and away from cyclical. However, brokers noted some interest in the cyclical sector yesterday with Hoogovens adding F1.60 to F174.40 and DSM up F1.10 to F125.30.

Fokker, which suffered heavy selling last week after it warned of heavier than expected losses in 1994, recovered 80 cents to F12.00, after a high of F12.40.

MILAN saw the battered lira, near an all time low against the D-Mark, provoke bargain hunting, particularly among foreign investors. The Comit index rose 1.49 to 607.26, largely ignoring political developments which suggested that the government of Mr Silvio Berlusconi, the prime minister, was heading towards a parliamentary vote of no confidence, later in the week.

Blair chips led the gains with Fiat, which has been attracting positive comment from analysts, L88 higher at L5.795.

## FT-SE Actuaries Share Indices

Dec 19		THE EUROPEAN SERIES									
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close			
FT-SE Europe 100	1337.24	1336.78	1336.23	1336.57	1335.83	1334.02	1332.48	1332.48			
FT-SE Europe 200	1380.05	1380.84	1380.02	1380.96	1380.34	1378.07	1380.53	1380.51			
Dec 16		Dec 13	Dec 14	Dec 15	Dec 12						
FT-SE Europe 100	1329.85	1328.74	1316.82	1309.30	1308.12						
FT-SE Europe 200	1378.77	1372.89	1365.54	1356.88	1355.35						
Data courtesy of Reuters. All rights reserved. All prices are in US dollars.											

See 1000 page for details: 100 - 1337.24; 200 - 1380.05; 100 - 1336.78; 200 - 1380.84; 100 - 1336.23; 200 - 1380.02; 100 - 1336.57; 200 - 1380.96; 100 - 1335.83; 200 - 1380.34; 100 - 1334.02; 200 - 1332.48; 100 - 1332.17; 200 - 1380.53; 100 - 1380.51

Montedison rose L14 to L1.141 but Ferruzzi dipped L27 to L1.140 as it was penalised for writing off credits from its former holding company, Serafino Ferruzzi, which could result in extra losses of L250m in the 1994 accounts.

Credito Romagnolo picked up L32 to L18.916 as hopes appeared to fade that Credito Italiano would launch a counterbid to Cariplo's L21.500 a share offer, regarded as high by many analysts. Credito Italiano was L54 higher at L1.650.

PARIS offered a minimal advance with the CAC-40 index 3.93 higher at 1,928.08. Turnover was low at around FF2.5bn.

Général des Eaux, which went against the trend with a fall of FF5 to FF5.03, after saw Ascom SF20 higher SF1.300 as it benefited from the naming of a new chief executive. Georg Fischer rose SF70 to

investment bank said that it had based its re-rating on the group's potential for restructuring and refocusing under new management. In addition the stock had underperformed the CAC by some 16 per cent since the start of the year.

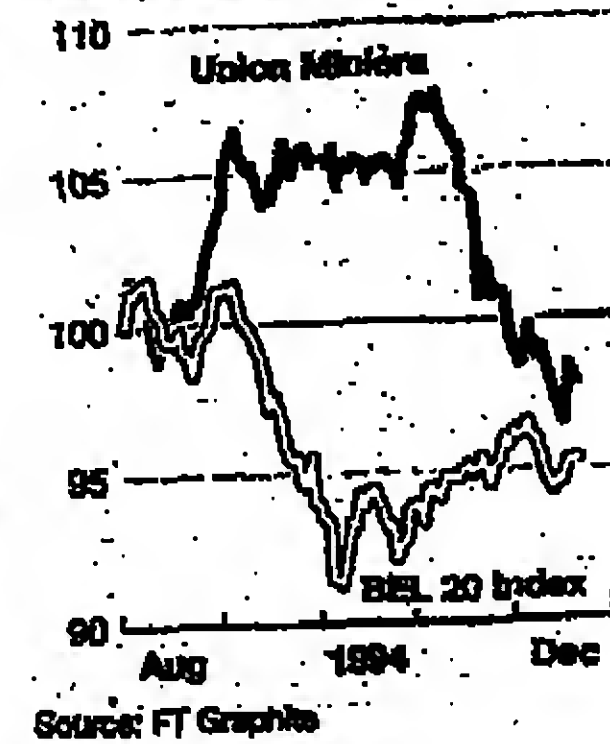
ZURICH lost a fraction, the SMI index receding 4.0 to 2,600.75 as the market waited for today's FOMC meeting in the US.

US selling left Swiss Re SF21 lower at SF7.766 as investors decided that there was limited potential from further gains after the recent strong performance.

UBS bearers fell SF23 to SF7.102, with the bank seen as a seller in its own shares.

Second-tier shares saw Ascom SF20 higher SF1.300 as it benefited from the naming of a new chief executive. Georg Fischer rose SF70 to

## Share price &amp; index (rebased)



Source: FT Graphix

SFR1,600 after the engineering group reiterated that it still expected 1994 group net profit to exceed SF50m.

BRUSSELS fell back slightly overall, while Union Minière continued to attract interest. The Bel-20 slipped 0.89 to 1,393.75 as the shares of the metals group lost BFR20 to BFR2,490.

Brokers commented that Union Minière had been heavily traded on technical factors after the expiry of a warrant last Thursday. There was news that a 1.1 per cent stake in the company had been sold by SGB, off BFRs at BFR2,185.

## ASIA PACIFIC

## Nikkei 225 ends higher for fourth day in succession

## Tokyo

The Nikkei 225 average gained ground for the fourth consecutive trading day. Friday's rise on Wall Street pushed up futures prices and prompted arbitrage buying, writes Emilio Terzani in Tokyo.

The index finished 107.42 firms at 19,290.85 after having risen 19,150.03 and 19,336.17. Traders said last week's rise in US equities had relieved investors, who had been worried about an exodus of US funds from global stock markets.

While position taking by institutions and dealers eroded some of the morning's gains, late afternoon index-linked buying supported share prices.

Volume totalled 250m shares, against 230m. The Topix index of all first section stocks rose 5.71 to 1,514.31, while the Nikkei 300 put on 0.93 at 279.97. In spite of the gains in the indices, declines outnumbered advances by 648 to 514, with 206 issues unchanged. In London the ISE/Nikkei 50 index edged up 0.01 to 1,264.67.

Although the Nikkei 225 had bottomed out from last month's nine-month low, some analysts believed that the stock market might face turmoil before the end of the business year in March. "Given modest economic prospects, an aggressive monetary tightening could dampen expectations of economic growth with negative implications for equities," wrote Mr Keith Donaldson, a strategist at Salomon Brothers, in a recent report.

Trading companies, steels and shipbuilders were actively dealt. Trading house Mitsui was the most active issue of the day, slipping Y4 to Y69.

Nippon Steel moved forward Y4 to Y359 and Mitsubishi Heavy Industries finished unchanged at Y726.

Sakai Over, a synthetic fabrics maker, continued to rise on speculative buying, closing Y25 higher at Y663.

Department stores gained ground amid hopes of an increase in sales during the current winter gift giving season. Mitsuoka, a leading retailer with links to Harrods, moved ahead Y22 to Y1,020.

## Taiwan

Turnover was AS\$73m, boosted by options-related trading. Among leading stocks, BHP edged ahead 4 cents to AS\$19.18. Mining issues were generally firmer on bargain hunting after recent sharp falls: WMC appreciated 19 cents to AS\$7.39, MIM 5 cents to AS\$2.19 and RGC 5 cents to AS\$4.65.

HONG KONG finished mildly firmer after retreating from its highs on active profit-taking in the afternoon. The Hang Seng index was finally up 11.95 at 3,178.34, after an early high of 3,226.78 on the back of Friday's rally on Wall Street.

Today's US FOMC meeting on interest rates also kept buyers on the sidelines, brokers said.

Property issues fell the most, with Cheung Kong losing 20 cents at HK\$31.70 and Amoy Properties 15 cents at HK\$7.20.

## Roundup

Wall Street's performance last Friday lifted a number of the region's markets.

TAIPEI closed sharply higher following Saturday's gains as institutions increased positions on fundamentally strong industrials.

The weighted index strengthened 117.57 or 1.7 per cent to 7,055.30. Turnover amounted to T\$11.8bn.

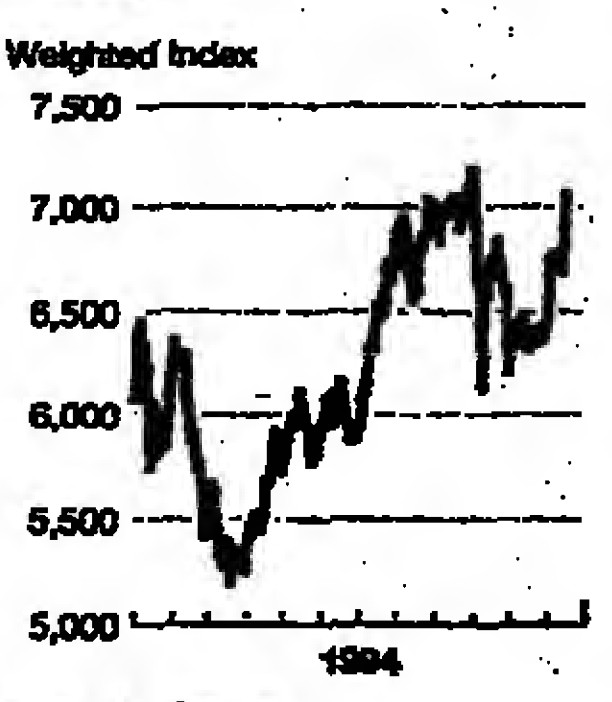
China Steel, the most active issue, rose by its daily 7 per cent limit to T\$29.20. Textiles extended recent rises with Hualon jumping T\$1.90 or 5.7 per cent to T\$35.90.

The heavily weighted financial sector also rose to support the market: ICBC surged T\$6 or 5.9 per cent to T\$110 and First Commercial Bank was up T\$3 to T\$197. Some brokers attributed the rise in financials, many of which have close government connections, to the ruling Nationalist party's victory in recent local government elections.

SEKUL was lower for the fifth consecutive session on persistent worries about tight liquidity, and the composite index shed 7.93 to 1,028.61 in thin trade. Heavy selling of primary blue chips and institutional inactivity put further pressure on the market.

Samsung Electronics and Korea Mobile Telecom went limit down, losing Won3,000 and Won10,000 at Won14,900 and Won40,000 respectively. Posco also hit its lower limit, falling Won2,000 to Won68,500.

## Weighted Index



Source: FT Graphix

SYDNEY saw light bargain hunting by local investors as the All Ordinaries index gained 3.0 at 1,900.01, an intraday high of 1,912.9. The futures contract dipped 14 to 1,896.

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## S African golds strengthen

The market extended morning gains, with gold stocks particularly strong.

The overall index improved 26.5 to 5,696.9, industrials 27.4 to 4,857.5 and golds 30.5 to 1,863.7.

Among golds, Vaal Reefs went against the trend to close

R2 off at R341, Southvaal gained R4 at R112 and Dries went up R1.50 at R56.50.

Elsewhere, Anglo fell R1 to R23, De Beers up 75 cents at R30.25 and S.A.B. climbed R2 to R36.50. Remgro was up 80 cents at R28.25 and Anglovaal R2 stronger at R137.

## MARKETS IN PERSPECTIVE

	% change in local currency				% change starting 1994	% change in US \$
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-0.14	+0.57	-8.33	-13.52	-9.78	-4.68
Belgium	+0.13	+0.94	-5.81	-8.70	-3.24	+2.22
Denmark	-0.78	-0.42	-6.91	-12.62	-9.73	-3.64
Finland	-1.24	-6.13	-24.50	-19.76	-34.67	-42.58
France	-0.93	-0.68	-10.33	-14.65	-11.90	-6.93
Germany	+1.82	-1.51	-5.71	-10.40	-6.28	-0.68
Ireland	+0.42	-2.34	-0.44	-2.56	+0.66	+8.34
Italy	+1.62	-6.68	+0.92	-1.38	-2.31	-3.19
Netherlands	+1.13	+0.31	-0.27	-4.07	+0.30	+3.96
Norway	-0.29	-0.22	-12.34	-2.65	+12.83	+12.83
Spain	-1.20	-0.71	-4.91	-8.68	-6.36	-1.08
Sweden	+0.63	-0.01	+9.12	+5.07	+9.99	+16.19
Switzerland	-0.85	-0.12	-6.69	-10.11	-11.88	-6.18
UK	+1.19	-3.85	-8.72	-11.69	-11.69	-6.71
EUROPE	+0.75	-2.80	-5.19	-9.77	-7.53	-2.30
Australia	+2.42	+0.38	-5.64	-10.32	-3.00	-2.82
Hong Kong	+5.62	-13.96	-22.54	-33.05	-36.71	-33.14
Japan	+0.33	+0.51	+2.98	+4.72	+10.46	+6.10
Malaysia	+3.51	-10.79	-14.83	-25.31	-25.72	-21.83
New Zealand	+1.80	-7.16	-3.27	-7.74	-0.22	+5.40
Singapore	+4.77	-7.69	-3.39	-8.80	-8.24	-6.05
Canada	+1.81	+0.19	-0.66	-1.47	-11.02	-0.90
Mexico	+2.63	-0.53	-0.46	-1.15	-5.43	-1.15
USA	-5.45	-3.86	-4.25	-11.31	-24.68	-20.43
South Africa	-0.61	-5.24	+31.49	+15.03	+15.76	+22.29
WORLD INDEX	+1.43	-1.51	-1.85	-3.30	-3.34	+2.22

Based on December 16, 1993.  
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